

# Nation's Business

A USEFUL LOOK AHEAD

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NOVEMBER 1956

## CREDIT OUTLOOK:



new fields ahead

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**Tax changes are coming** PAGE 44

Six steps to executive success PAGE 84

● New force shapes business future PAGE 31

Higher pay gets new push PAGE 42

*George S. May Service can increase your*

## **SALES and PROFITS!**

That's what more than 40,000 progressive businessmen have found during the past 31 years. They learned that they could quickly reduce costs, improve methods, and expand markets with the help of George

S. May Company service. Learn how this remarkable service can bring dynamic new business thinking and experience to the problems that you may have. Learn how you can strengthen your competitive position by the application of time-proved George S. May Company methods. Call any of our offices.

A thoroughly qualified representative will call on you without cost or obligation.



### **George S. May Company**

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UNiversity 8-0152

GERMANY, GEORGE S. MAY INTERNATIONAL, G.M.B.H.  
Düsseldorf, Altenstrasse 38, Telefon 80328





William Keelor with his NO-SEE Grass Barrier that prevents lawns from invading flower beds and shrub borders.

## Telephone plan helps build national distribution

Keelor Steel Co. of Minneapolis started advertising its NO-SEE Grass Barrier to the garden trade three years ago, answering all inquiries by telephone. Today, the product is handled by dealers all over the country.

"I call my distributors regularly," says Mr. Keelor. "It gives me a running account of their inventories and sales... plenty of

leeway to plan production. Telephoning's the most economical way I know to put my kind of product across."

*This is only one of many ideas for economical use of the telephone in business... ideas that can help you. A telephone representative will gladly discuss them with you. Just call your Bell Telephone Company business office today. BELL TELEPHONE SYSTEM*

### LONG DISTANCE RATES ARE LOW

*Here are some examples:*

New York to Wilmington, Del.	60¢
Dallas to New Orleans	\$1.25
Minneapolis to Cleveland	\$1.40
Milwaukee to Boston	\$1.60
Los Angeles to Tulsa	\$1.80

These are the daytime Station-to-Station rates for the first three minutes. Add the 10% federal excise tax.

*Call by Number. It's Twice as Fast.*



Olivetti typewriters, whether portable, standard or electric, are distinguished by excellence of design, advanced engineering, precision workmanship and sturdy, service-free construction. Made by Europe's largest manufacturer of office machines, Olivetti typewriters are sold by over 1,000 dealers in all 48 states, and at Olivetti's own showrooms in New York (584 Fifth Avenue), Chicago (230 North Michigan Boulevard) and San Francisco (17 Second Street). Inquiries should be addressed to Dept. B, Olivetti Corporation of America, 580 Fifth Avenue, New York 36, New York.

**olivetti**



# Nation's Business

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# Why 402 U. S. manufacturers now enjoy 100% tax



Governor Muñoz tells why Puerto Rico offers such amazing incentives to new or expanding manufacturers.

**I**N THIS statement, I shall try to explain Puerto Rico's economic position as frankly as I would to any manufacturer or labor leader who met me face to face.

Puerto Rico is currently making a determined effort to stand squarely on its own economic feet. At present we do not have nearly enough jobs to support our people. We are therefore directing every energy to create more jobs at home, and to curtail migration to the States.

That is precisely why we are going all out to attract every *new* plant we possibly can. But, to date, we are still providing only 25% of the new jobs we need *each year* to keep pace with our expanding labor force. I shall go into details later. But first I want to make two points of my Government's policy absolutely clear:

1. Puerto Rico has no intention of winning industries away from anywhere. We do not grant tax concessions to runaway plants.
2. Puerto Rico's Industrial Development Plan is based on a combination of absolutely ethical incentives. We do not and *never will* hold out low wages as an attraction to business. My Government's firm philosophy is that wages should rise as rapidly as our economic development permits.

Let me now describe our basic problem in more detail."

## Our Problem

"When people talk of over-population as Puerto Rico's biggest headache, they certainly don't exaggerate.

Our unemployment is high. Our income level is still low—only 25% of the U. S. average. And every year 20,000 more workers swell our under-employed labor forces.

But this is probably putting the cart before the horse. Our real problem is not over-population but *under-development*. What then is our best solution?"

## Our Solution

"I am convinced that the answer can only lie in more and more industry. Hence we are pinning our major hopes on our industrial development program, as the main pull of what we call Operation Bootstrap.

From the economic standpoint, Operation Bootstrap has but one simple aim—to develop industry, and in doing so, to encourage U. S. manufacturers to *expand* their operations to Puerto Rico. Operation Bootstrap is, in fact, a bold attempt to increase the well-being of our whole Commonwealth—workers and employers alike. And lest anyone should fear that my country's program might injure the U. S. economy, let me now sound a reassuring note:

1. The U. S. already has 65 million employed. Puerto Rico only needs to create 150 thousand new jobs to solve its present problem.
2. One half of one percent of normal U. S. industrial expansion would achieve our whole economic program.

I hope these comparisons help to put Puerto Rico's modest needs in proper perspective. But, for good measure, let

me quote a few more figures to show how important a prosperous Puerto Rico is to U. S. business itself:

In 1955, Puerto Rico's purchases from the U. S. rose to \$580,000,000. Without Puerto Rico as a customer, New York's gross sales would have dropped by \$67,000,000; California's by \$54,000,000; New England's by \$53,000,000.

So much for statistics. Now just a word about my people, without whose willing co-operation Operation Bootstrap would merely be a sterile dream."

## Bootstrap Underway

"Pay us a visit and I think you will be impressed immediately by the whole-hearted faith we Puerto Ricans place in Operation Bootstrap.

We believe in it deeply and thoroughly—and, with practically no exceptions, support its policies right along the line. Thus, I can promise the same eager, cheerful co-operation to every U. S. manufacturer who expands his industry to our Commonwealth.

Scarcely a month goes by that I am not visited by the Mayors of a dozen Puerto Rican towns, all asking for plants to be erected in *their* areas. There's not a community in all Puerto Rico that would not enthusiastically welcome the arrival of a new factory.

For we all realize that though we have made a promising start up the long, long hill to economic prosperity—the summit is not in sight yet. But the Puerto Rican people have squared up to their challenge and are meeting it in good heart."



# in Puerto Rico freedom



**Beardsley Ruml tells how new or expanding industries  
(not runaway plants) get tax exemption.**

## Corporate Tax Exemption

If your net profit after U. S. Corporate Income Tax is :	Your net profit in Puerto Rico would be :
\$ 29,000	\$ 50,000
53,500	100,000
945,500	500,000
485,500	1,000,000

## Dividend Tax Exemption\*

If your income after U. S. Individual Income Tax is :	Your net income in Puerto Rico would be :
\$ 7,700	\$ 10,000
15,850	25,000
25,180	50,000
51,180	200,000

\*Dividends are tax-free only if paid to residents of Puerto Rico by a tax-exempt corporation. Examples are based on Federal rates (Jan. 1, 1956) for single persons.

**S**TART A NEW plant in Puerto Rico and you are not only free from Federal income taxes (they don't apply)—you can be exempt from local income taxes too. Your freedom from Federal taxes is not a concession. It is a *Constitutional* fact which stems logically from that historic American principle "Taxation without

representation is tyranny." Puerto Rico has no vote in Congress, and therefore no Federal income taxes—corporate or personal."

### Protected by Two Constitutions

"Your business is not only protected by the Commonwealth Constitution, it is

permanently guarded by all the guarantees of the U. S. Courts and Constitution, too.

As for your local income tax exemption, this is an *added* incentive, offered by the Commonwealth Government to attract new plants that Puerto Rico's economy needs so urgently."

## How you gain from a new plant in Puerto Rico

**1. A better return.** Local tax concessions, freedom from Federal taxes, and lower operating costs will all reflect favorably in your company's balance sheet. See table above.

**2. Abundant, skillful labor.** Puerto Rico's labor force totals 644,000. The Commonwealth operates an ambitious vocational training program, which will even screen workers and teach them *specifically* to operate your machines. The adeptness of the Puerto Rican worker in learning precision skills may be judged by the fact that the following famous companies now have operations in Puerto Rico:

Remington Rand. St. Regis Paper. Beaunit Mills. International Latex. Carborundum Company. Shoe Corporation of America. United Drill and Tool. Sunbeam Electric. Univis Lens. Weston Electrical Instrument Company.

**3. No currency or customs problems.** Puerto Rico is a Commonwealth freely

associated with the United States. It is an integral part of the U. S. economic system. You have none of the problems of operating from a foreign country. Movement of goods, money and people between Puerto Rico and the U. S. is as free as it is between the states of the Union. There's no duty on trade and the U. S. dollar is currency.

**4. Low capital investment.** New single-story, low-rental factories are ready to occupy. The government will even build a *special* one for you on a very small down payment. Abundant electricity, gas and water are just waiting to be connected.

**5. Ideal location.** Puerto Rico is served by 30 ocean lines and 8 airlines. It is only 5½ hours by air from New York—less than 4 from Miami. Goods are actually made in Puerto Rico one day and are delivered in Los Angeles the next. The climate is perpetual Spring. Temperature stays around the balmy 70's most of

the year. Swimming, sailing and fishing are superb. Domestic help is plentiful.

### Is Your Company Eligible?

To find out if your company is eligible for tax exemption in Puerto Rico, call our nearest office:

New York—MU 8-2960—579 5th Ave.  
Chicago—AN 3-4887—79 W. Monroe  
Los Angeles—WE 1-1225—5525 Wilshire

### New booklet—free to manufacturers

Commonwealth of Puerto Rico  
Economic Development  
Administration  
579 Fifth Ave., New York 17, N. Y.  
Dept. NB-61  
Mail me "Facts for the Manufacturer,"  
your report of the advantages of Puerto  
Rico for plant location.

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Product \_\_\_\_\_  
Address \_\_\_\_\_





## the water you drink may have quenched Caesar's thirst!

Water is indestructible.

Heat it . . . freeze it . . . put it under pressure . . . it always returns to its original form and to the ocean from whence it came.

The cycle is endless. Unfortunately, there's no more rainfall today than twenty centuries ago. Meanwhile, home and industrial consumption of water is rising to staggering proportions.

Will we have enough for the future?

You can help make sure we will. By encouraging advance planning of adequate water facilities. By supporting vital water financing. By encouraging realistic water rates. Beginning *now!*

The day when America could take its water for granted is long since past . . . as dead as Caesar.

## YOU CAN HELP

Your water works officials bear a heavy responsibility.

Their job is to supply you, your community and industry with all the water needed. No easy task in these days of rapidly increasing demand.

But you can help.

By encouraging long range planning of water facilities. By supporting modernization of your present system, if needed. By recognizing the pressing need for realistic water rates. The cost of bringing you water . . . still your cheapest necessity . . . has risen sharply.

You can be sure, too, when your water officials specify cast iron pipe, they're acting in your best interest. Here's why:

Over 70 American public utilities are still being efficiently served by cast iron mains laid over a hundred years ago.

This means that you, as a citizen, can rely on dependable cast iron pipe for generations. Result—longer years of trouble-free service, fewer tax dollars spent on repairs or maintenance.

### Cast Iron Pipe, Our Most Reliable Water Carrier



Laid 106 years ago, this cast iron water main is still serving New York. Today, modernized cast iron pipe, centrifugally cast, is even more rugged and longer lasting.

### Long Life for Gas Mains



This cast iron gas main, laid over 100 years ago, still serves Hartford (Conn.) Gas Co.

Century-long service records prove that cast iron gas mains are remarkably efficient, reliable and economical.

Cast Iron Pipe Research Association, Thos. F. Wolfe, Managing Director, 122 So. Michigan Ave., Chicago 3.

# CAST IRON PIPE





# management's WASHINGTON LETTER

►GET READY FOR BIGGEST Christmas rush you've ever seen.

That's view of businessmen, economists, consumers.

You can look for retail sales this month and next to exceed \$36 billion.

That'll bring year's total to around \$195 billion, up from \$186 billion for 1955.

Reasons for optimism:

With more than 66 million persons now at work, only 2.9 per cent of work force is unemployed, compared to 4 per cent for 1955.

Personal income--now at \$328.2 billion annual rate--is almost \$20 billion ahead of year ago.

Average hourly pay's up from \$1.88 year ago to \$1.98 now (in manufacturing).

Personal savings are piling up, too. Americans are putting cash away at rate of more than \$21 billion a year.

What else is needed?

Promotion, say sales specialists.

►CONSUMERS ARE CONFIDENT about business outlook and their own prospects for 1957.

That's finding of nationwide consumer attitudes study by University of Michigan.

Interviewers talked with 1,350 families in all parts of U.S.

Here are highlights:

Most consumers feel they are better off now--financially--than a year ago.

Three fourths expect business conditions to be good in coming year.

There is general expectation of price increases.

Consumers expressed intentions to buy autos at somewhat higher level than 6 months ago.

►PRESENT SURGE POINTS on upward into 1957.

Next level-off: Not in sight.

That's evaluation of business prospects by top government economist whose job is to watch economic movements.

His reasons:

Government spending is rising.

Investment in plant and equipment is running high--figure's now at \$38 billion annual rate, compared to \$28.7 billion for 1955.

Residential construction is leveling

out after recent dip, may turn up again by spring.

Over-all analysis:

Boom still has oomph in it, with variations in some sections.

►POLL OF SALES EXECUTIVES bolsters optimistic outlook.

National Sales Executives, Inc., surveyed sales managers of leading companies.

All expect country as whole to experience good times in next 12 months.

All describe year-ahead sales outlook for their companies as good.

►NEXT CONGRESS will argue many issues that'll affect businessmen.

Here's advance look at some you'll want to watch:

Minimum wage--There'll be renewed pressure for extension of coverage to retail field.

Mergers--Look for 90-day prenotification to be hot again.

School aid--There'll be stepped-up effort to get federal money for construction.

Soil bank, farm price supports--You can expect lots of debate on this.

Power development--Expansion in nuclear power field makes this an increasingly important issue; look for debate on insurance, financing of large reactors.

Hoover Commission--Legislative proposals based on Commission recommendations will come in numerous bills.

Taft-Hartley--Look for big pressure to repeal section that authorizes state right-to-work laws.

Also: Congress appears certain to look into tight money situation, particularly as it affects construction industry.

►YOU CAN EXPECT TAX law changes by next Congress.

Congressional committees are going over books now.

What changes are likely?

There's special Nation's Business report on page 44.

State tax preview:

Business will face about 350 tax law changes enacted this year by 38 state legislatures.



Commerce Clearing House says equal number of shifts in business license taxation were enacted.

►DEMAND FOR MONEY continues to mount.

Loan applications to Small Business Administration show extent of rise.

During past 4 months 1,894 business men have applied for SBA loans.

Figure was 1,035 year ago.

Is SBA granting more loans?

For same period SBA approved 966 loans for \$39.6 million.

Year ago it was 406 loans for \$18.9 million.

Does this mean banks aren't lending?

Not necessarily.

According to American Bankers Association survey, loans to businesses borrowing up to \$50,000 are 14.5 per cent ahead of last year.

There's 13.5 per cent jump in business loans up to \$100,000.

►SHOULD BUSINESS BE responsible for off-job health problems of employees?

Yes, say 88 per cent of more than 250 top management people interviewed by University of Michigan's Survey Research Center.

Why? Managers say:

We owe it to employees, it reduces absenteeism, makes employees happy.

Survey made for U.S. Public Health Service also found:

Average cost for doctors, nurses in plant health programs runs 0.25 per cent of total payroll.

►WORKER COMPLAINTS AGAINST UNIONS are rising faster than complaints against employers.

Here's what National Labor Relations Board record shows:

Individuals' complaints against unions are 89 per cent above 1950-53 average.

Those against employers are up only 33 per cent.

Record also shows:

Individual workers use Taft-Hartley against unions more than employers do.

Of 1,809 complaints filed against unions, 60 per cent are by individuals, 35 per cent by employers, 5 per cent by other unions.

Right to work is common worker complaint against unions.

Examples:

Union--because worker has not joined union or has been expelled--causes employer to fire, not promote, or not hire him.

►BULGING UNION TREASURIES will fatten even more when recent dues boosts by many unions begin rolling in.

Example:

Company check-off payments to United Steelworkers will go up from \$36 million to \$60 million a year.

National union headquarters in Pittsburgh receives payments direct from employers, then makes partial refund to local unions--thus keeps tight control.

Since 1952: Steel union assets have whooshed from \$22.2 million to \$40.8 million.

President David McDonald's salary is now \$50,000, up from \$40,000.

►WHAT HAPPENS WHEN GOVERNMENT gets out of private enterprise-type operation?

Here's report on Federal Barge Lines:

Under government ownership, operation cost taxpayers almost \$10 million from 1938-52.

It was sold to independent corporation in 1953 for \$9 million.

Now it makes profit, pays taxes.

It'll move about 3.5 million tons this year.

To meet expanding demand, barge line has added 60 barges, two new towboats.

Note: Despite increasing business handled, barge line--under private ownership--has effected numerous economies.

Example: Personnel--3,300 in 1946--is about 600 this year.

►IMPORTANT NEW REPORT on women's role in the work force will be made public late this month.

Report, based on long study by National Manpower Council, will show women's past, present, probable future role as workers.

It will spotlight:

Policies, practices of firms employing women, point way to solution of some problems which arise when you hire them.

Women now constitute about a third of total persons employed in U.S.



# management's WASHINGTON LETTER

This number is expected to grow in concert with general economy in years ahead.

Council's report will point out:

Marriage, childbearing are still big bars to women's permanence, advancement as workers.

►YOUR MARKETING PEOPLE will want to get copies of two new Census reports on state population.

Reports will show changes in state population, migrational movements, help you to size up your present, future markets.

One report shows provisional over-all data for 1956.

Second report, due about Nov. 1, will give final data for 1955, compare with 1950 and earlier, show migrational factors.

Preview: Data will show fastest growing states (percentagewise) are in Southwest.

California remains fastest growing individual state.

To get reports write Census Bureau, Washington 25, D. C., ask that your firm be placed on mailing list for data in P-25 Series.

►HAVE TROUBLE COMMUNICATING with your employees, associates?

If so it may be because you're a poor listener.

Prof. Wesley W. Wiskell of Louisiana State University suggests steps which will improve your power as listener:

1. Keep your desk clear of distracting pictures or papers.

2. Move from behind your desk to special listening chair to hear out what employee has to say.

Other enemies of good communications: Impatience, distracting habits like drumming on desk with fingers, accepting telephone calls during conference.

Prof. Wiskell concludes:

Listening is one of the most important tools in management's possession.

For another view on importance of good listening, see page 84.

►STORK WILL DELIVER 4.1 million babies to U.S. this year.

That's estimate of Dr. Halbert Dunn, chief, National Office Vital Statistics.

Deliveries in '55--about 4 million.

Population specialists say present baby boom would be even bigger if birth rate hadn't slumped in early 1930's.

Slump then means fewer women are reaching child-bearing age now.

But prospect for future is this:

National birth rate will pick up even greater momentum in next decade as post-1937 baby boom begins maturing.

This year's baby crop will push year-end population close to 170 million.

►IN PLANNING MARKETS for your products don't stake everything on population growth.

Why not?

Because consumption doesn't always parallel population rise.

Paper products maker learned this.

He set production schedules on basis of population growth, but demand for product outran population rise.

Reason: Per capita consumption rises in good times.

►BUTTON UP YOUR OVERCOAT--coldest winter in 20 years is just around corner.

That's chilling forecast of Prof. Hurd C. Willett, meteorologist at Massachusetts Institute of Technology.

His appraisal of winter prospects is based on analysis of sunspot activity, other factors.

He finds present solar activity similar to that of bone-rattling 1917-18 winter.

Forecast: Cold in central and eastern sections, near normal in West and Southwest.

Note: Only in extreme Southwest is winter likely to be unusually warm.

►LOOK FOR: Number of pleasure, commercial vessels equipped with marine radio-telephone units to reach 30,000 next year, up from 3,282 in 1945...

Demand for dental care to grow faster than number of dentists, according to Public Health Service study of nation's needs by 1975...

Home appliance sales to increase at least 40 per cent by 1960, number of dealers to rise 10 per cent...

Nation's construction industry to set new record next year, surpassing this year's expected \$44 billion.





## Insurance Simplified

By New Package Policy

For Merchants, Retailers and Wholesalers

How about this? Just one policy for fire, extended coverage, burglary, water damage, transportation and other perils to which your merchandise is exposed. Just one date to remember, one premium to pay, one agent and one company to deal with. On top of that, it will either save you money over separate policies or give much more protection for the same money. For details, consult an agent representing one of the Phoenix of Hartford companies.

**WHEN YOU BUY INSURANCE  
BUY INTEGRITY**



All forms of Insurance except Life

The Phoenix Insurance Company  
The Connecticut Fire Insurance Company  
Equitable Fire & Marine Insurance Company  
Minneapolis Fire & Marine Insurance Company  
Reliance Insurance Company of Canada  
Executive Office: Hartford 15, Connecticut

# Letters from businessmen

## A banker speaks up

I read with great interest your editorial: "The Servant Turns Master," in the September issue.

Don't stop reminding the people about this monster that our very own government is developing into. It has become a national pastime to get anything from our government that you can get... and if you have to lie about it, then that is part of the game. It is the old story of buying friendship and votes, plus the idea of getting something for nothing.

CHARLES ALLEN,  
Asst. Vice President,  
Wellington State Bank,  
Wellington, Tex.

## Coal's problem

I have just finished reading "Here's Answer to Doubled Power Need," in the October issue of NATION'S BUSINESS.

The writer is to be congratulated on his handling of a vitally important subject, and his presentation of coal's dominant role as a source of energy.

There is, of course, another side to the coin.

In a talk before the Washington Society of Investment Analysts, Mr. Philip Sporn, President of the American Gas & Electric Company, noted that by 1975 generation of electric power will need around 488 million tons of coal a year, and said that "producing this much coal on top of other coal requirements may not prove easy."

He referred, of course, to the rising demand for coal for steel, which is used on a ton-for-ton basis, and to the growing export market for American coal, much of which is metallurgical coal for foreign steel production. There are also the tremendous markets for industrial power and for heating.

J. E. CUNNINGHAM,  
Director of Public Relations,  
National Coal Association,  
Washington, D. C.

## Older workers

Thanks very much for the excellent September article on the older worker ("Worker Pinch Upsetting Over-45 Taboo").

This sort of treatment fully justifies our hopes that the results of our

work will be most effectively presented in just this kind of special article.

ARTHUR LARSON,  
Under Secretary of Labor,  
Washington, D. C.

## Opportunity knocks

Having read your Management's Washington Letter in the September issue, I became very interested in your item on the business opportunity in reprocessing of atomic fuel scrap, dross, choppings, pickling-tank sludge and floor sweepings.

I would appreciate it if you would tell me who to contact with regard to entering this field.

ABRAM LEW,  
Bywell Dental Supply Co., Inc.,  
Fitchburg, Mass.

►Office to contact is Division of Civilian Application, Atomic Energy Commission, Washington, D. C.

## Tennessee's law

Because your readers in Tennessee have come to rely upon the authenticity of articles appearing in NATION'S BUSINESS it occurs to me that what appears to be an error in an article in the July 1956 issue should be corrected. Reference is made to "Business In Politics" and the chart headed "The States Which Prohibit Contributions By Either Corporations Or Unions In State Elections." It will be noted that the State of Tennessee is not listed as being a state in which such contributions are prohibited.

C. W. TULEY,  
Executive Vice President,  
Tennessee Manufacturers Assn.,  
Nashville, Tenn.

►Mr. Tuley is correct. Tennessee law prohibits political contributions by corporations in local, state and national elections.

## Keeping up

Would you be kind enough to check on my subscription to NATION'S BUSINESS in order that I may be able to keep a record of the expiration date? The magazine is now mailed to my home. In addition, may I congratulate you and your staff on publishing one of the finest business magazines in the United States.

D. P. LOKER,  
Vice President,  
Star-Kist Foods, Inc.,  
Terminal Island, Calif.





While waiting for shipments away overdue,  
Sam aged like Methuselah and looked like him, too.



Now he's youthful again, filled with joy effervescent  
His dependable shipping is **RAILWAY EXPRESS** - sent!

# The big difference is

Whether you're sending or receiving,  
whether your shipment is big or small,  
whether you're shipping here or overseas  
—always specify Railway Express. You'll find  
it makes the big difference in speed, economy,  
and safe, sure delivery. And now you can make fast,  
economical shipments via Railway Express Agency's  
new international air and surface connections.  
*It's the complete rail-air shipping service,  
free enterprise at its best.*



**... safe, swift, sure**

Railway Express International Service now includes affiliations with: SEABOARD & WESTERN (and connecting carriers) ... TACA ... TAN ... BRAZILIAN INTERNATIONAL AIRLINES also SCHENKER & CO. and the AMERICAN EXPRESS COMPANY foreign connections.





*It's mentioned often when employee relations are discussed:*

*"One of the greatest morale-builders  
at our plant is Blue Cross!"*

**M**ORE than 52 million people today belong to Blue Cross. It's the largest and most popular program for the prepayment of hospital care.

From the management standpoint, Blue Cross offers many advantages. For example:

**Blue Cross is flexible.** It's easy to fit into any employee welfare "package" and it may even become a retirement benefit.

**Easy to administer.** There's no problem of paper work with Blue Cross. Your local Blue Cross Plan works directly with hospitals, routinely handling the details of

hospital payment. All Blue Cross Plans have a special "partnership" with participating hospitals. And they alone are officially approved by the American Hospital Association.

**The Blue Cross aim** is to provide for needed care, rather than to give dollar allowances.

**The cost is low** in relation to the benefits provided, because Blue Cross Plans are operated not-for-profit.

**For information,** contact your Blue Cross Plan. Or write *Blue Cross Commission, Dept. 710, 425 North Michigan, Chicago 11, Ill.*

**Among the more than 300,000 companies with Blue Cross are:**

Bendix Aviation Corp. • Chrysler Corp.  
H. J. Heinz Company • Matson Navigation  
Company • Raytheon Mfg. Co. • Sunkist  
Growers, Inc. • Time, Inc.



©Blue Cross and symbol reg. by the American Hospital Assn.



### Pressure building up

Attached is my check in amount of \$1 for which please send me ten reprints of "How to Live With Job Pressure." (September issue).

This is a very interesting and worthwhile article about Dr. Robert H. Felix. I was so impressed with it that I want to pass the reprints on to several others.

F. I. FAIRMAN,  
Vice President,  
Kentucky Utilities Co.,  
Lexington, Ky.

I really enjoyed this article and think that Dr. Felix has hit the nail on the head several times.

My only regret is that the article could not be longer.

MRS. ALICE M. MURRY,  
National-American  
Who. Gro. Assn., Inc.,  
New York, N. Y.

Please send me 20 copies of "How to Live With Job Pressure."

This article will be most useful in helping my department managers and staff members when and if they need assistance in conquering this timely problem.

E. S. McNAB,  
Store Manager,  
Sears Roebuck and Co.,  
Ft. Myers, Fla.

Please send 100 reprints of "How to Live With Job Pressure."

We have been taking and reading NATION'S BUSINESS for some years, but consider Doctor Felix's article just about the best and most timely we have read. We expect to distribute these reprints to our Rotary Club members and others.

REED SHAFER,  
Dairy Products,  
Greenville, O.

► 560 requests for 11,297 reprints so far.

### Good—and too bad

Enjoyed reading your editorial, "The Wages of Political Inaction," in the August issue.

As a matter of fact, it was instrumental in causing me to accept a draft to be a candidate for State Treasurer in the Michigan Republican Convention.

ARDALE W. FERGUSON,  
Benton Harbor, Mich.

► Reader Ferguson adds a postscript: "I was not nominated by the convention."

### More kind words

As a brand new subscriber to NATION'S BUSINESS, there is only one thing that I am unhappy about and that is that I didn't subscribe long before.

V. H. POMPER,  
Asst. General Manager,  
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## PROGRESS:

# Research may lift farm controls

BUSINESSMEN have a potential stake in the growing emphasis in Washington on a new approach to the problem of farm surpluses.

Legislative recommendations may be put before Congress early next year asking for more research money to find expanded uses for agricultural products in industry.

Action in Washington this fall foreshadows an all-out attack on crop overproduction headaches through the mixture of industry-agriculture research called chemurgy. The effort could pay off in benefits for farmers, businessmen and consumers, as well as for all taxpayers. The goals:

- New uses of present crops.
- New crops to meet industry's needs.
- New uses for farm waste products.

These targets imply advancing a host of chemical transformation processes beyond the laboratory and into factories. Livestock and dairy products, crops such as wheat, corn, cotton, barley and oats and a wide range of exotic plants would be converted into alcohol, paint, rubber, paper, chemical compounds, special feeds, drugs and medicinals.

Chemurgic processes along these lines are by no means new. Industry already consumes up to five per cent of U. S. agricultural output. Excluding cotton and wool, the wholesale value of nonfood uses amounts to about \$1 billion dollars annually. What is new is top-level Washington attention to chemurgy.

Increasing numbers in Congress especially are awakening to the realization that utilization research might open vast new markets for crops. This would make it possible to lift an onerous burden of controls from the American farmer, free rather than curtail his output.

Through new industrial markets, it would become possible to diversify agriculture, expand farm income while reducing government aid, and liquidate surpluses.

Industry, in turn, would have access to a more abundant source of raw materials to supplement those derived from minerals, gas, air and water. More important, this source

is annually renewable and, combined with sound soil management, virtually inexhaustible.

Congress this year called on the President to set up a Commission on Increased Industrial Use of Agricultural Products. They wanted to know whether, indeed, the practical prospects of chemurgy matched the glowing promises.

As the Agricultural Act of 1956 states, the commission was directed to come up with recommendations which "will bring about the greatest practical use for industrial purposes of agricultural products not needed for human or animal consumption."

President Eisenhower in August appointed five men to this bipartisan group. It is headed by J. Leroy Welsh, Omaha grain operator, and staffed by U. S. Department of Agriculture specialists. The other four commission members are George H. Coppers, president of the National Biscuit Company, Englewood, N. J.; Dr. Karl D. Butler, agricultural consultant to AVCO, Ithaca, N. Y.; Dr. Charles R. Sayre, president of the Delta and Pine Land Co., Scott, Miss., and Dr. Frank J. Welch, dean of the University of Kentucky's College of Agriculture.

The commission is now at work, sounding out businessmen, farmers, university and private research experts and public officials. Its report is due next June, but it hopes to have legislative recommendations ready for Congress by mid-February.

One thing the commission is almost certain to propose is increased spending on utilization research, as distinct from farm production research. This was indicated in a hearing in July on a bill proposing new federal appropriations of \$100 million annually for a crash program of utilization research.

By contrast, the USDA is spending just \$12 million this fiscal year in this sphere. The remainder of its research budget of \$103 million is devoted to improving crops and raising productivity.

The utilization research bill got sidetracked in Congress while the commission study got a green light. But unanimous sentiment was ex-





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pressed in hearings for expanded exploration of industrial uses for crops. Some measure to attain this end, probably entailing less money, is considered certain to come out of the next Congress.

Requests for heavier farm research spending will have to buck the wary attitude Congress and the Budget Bureau have long displayed toward the subject. The new commission will try to pin down benefits.

USDA work accounts for about a third of the estimated total of \$300 million spent by everyone on farm research. The remainder is shared by state universities and private industry.

The keen interest business has taken in this area is evidenced by its diversified representation on the board of the Council for Agricultural and Chemurgic Research, long a leading exponent of adapting farm products to industrial needs.

Over the past two decades, these groups have developed a broad foundation of knowledge on chemurgy. This is now ready to be put to work.

The major need in an enlarged utilization program, in fact, appears to center on production engineering and marketing economics. That is, costs involved in assembling and processing farm products must now be brought down to competitive levels.

Areas that might get priority attention in a stepped-up research program are now being charted by USDA's research director, Dr. Byron T. Shaw. Some of them:

1. Grain could be fermented and converted directly into natural rubber or synthetic. This offers one of the largest potential outlets for surpluses; it would take up to 300 million bushels annually to meet all requirements. A new fermentation method utilizing fungi to produce natural rubber "could possibly revolutionize rubber production," in the opinion of USDA.

2. Starch could be made from grains like corn and wheat and added to wood pulp to make paper. Capture by such starch of just five per cent of the booming demands for the 30 million tons of paper the U. S. uses a year would take 100 million bushels of grain annually.

3. Such fibrous plants as timber bamboo, hemp, flax and sweet clover might be converted into pulp by new processes. If these crops took up just 10 per cent of paper needs, more than a million acres could be diverted from surplus crops.

4. Oxidized starch, made potentially valuable by a new production process, could be used as a coating for textiles and paper, a tanning agent





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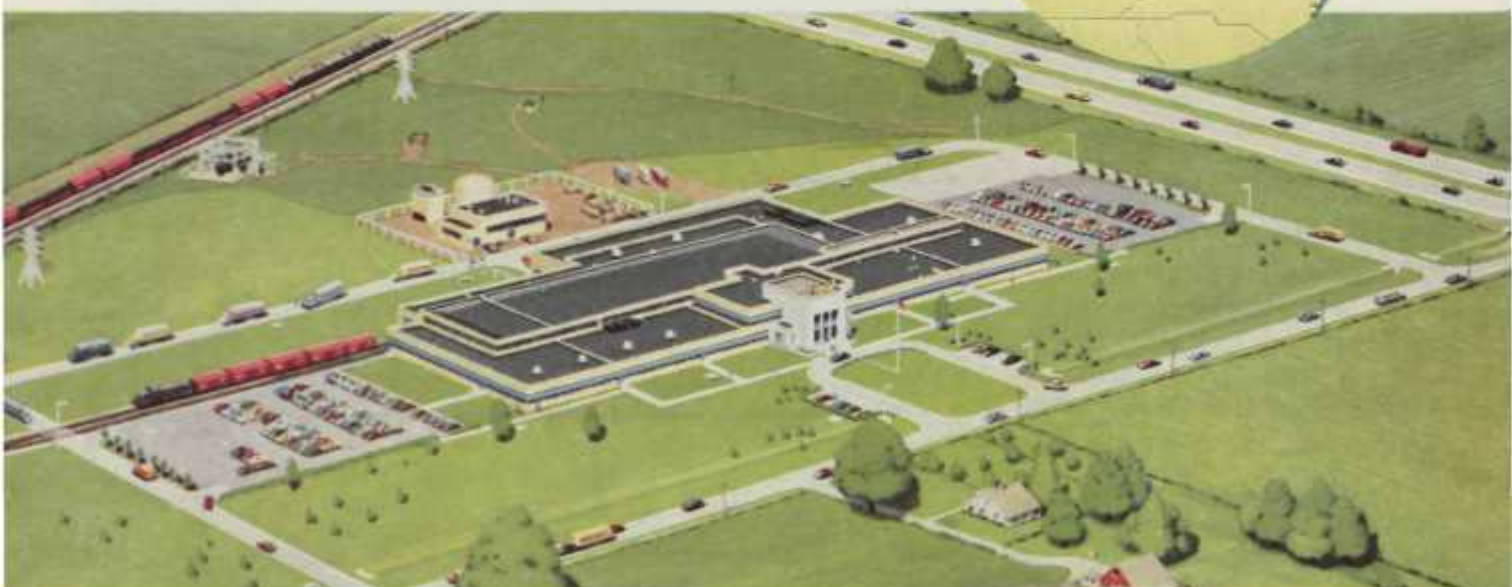
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for leather, a component for plastics and other industrial products.

5. Puffed wheat could be used as a filler in resin-bonded board for furniture and building construction. Also, flour could serve as a binder for fragmented materials used in hard-board and boxboard.

6. A special variety of corn could be developed as a rich source of starch for industrial processes, thereby diverting acreage from common corn.

7. Use of oil-seed crops—safflower, flaxseed, castor beans—could be expanded. This would take up 1 million to 4 million acres now in grains. Their oil might be used as raw material for plastics, plasticizers, lubricants, films and other products of the chemical industry.

8. Expedited, lower-cost tanning of leather and broader uses must be developed to compete with synthetics and to move the annual excess of 6 million hides into markets. Targets might be washable leathers and types resistant to wear and weathering.

9. A wide range of new crops could be introduced and grown for drug and specialty purposes, diversifying and stabilizing agriculture. These include *rauwolfia*, source of analgesic and respiratory drugs; *candelilla*, source of wax for polishing compounds and chewing gum; *dioscorea*, source of cortisone-type drugs; *rotenone*, for insecticides; and *canaigre*, for tanning agents.

Some research specialists maintain that the development of such crops for specific industrial uses might prove more beneficial than finding new uses for present basics. Only a dozen plant species are used on a really large scale, while just some 200 receive commercial attention. Yet there are 300,000 species with potentials almost unknown.

The one chemurgic development that could wipe out grain surpluses in one broad swipe is the fermentation of grain into alcohol and its use as an additive to gasoline.

Congress specifically enjoined the commission to weigh this possible outlet. It is estimated that if alcohol from grains took up just 10 per cent of the U. S. gasoline market, 2 billion bushels of grain would be needed a year. This alone is one third the total annual production of all grains.

Exciting as is this prospect, success in moving farm products into industry is likely to be achieved in less spectacular fashion. As the executive director of the commission, Wheeler McMillen, puts it, research advances in salients. You hope for a dramatic breakthrough but depend instead on many minor advances along a wide front.—JAMES N. SITES



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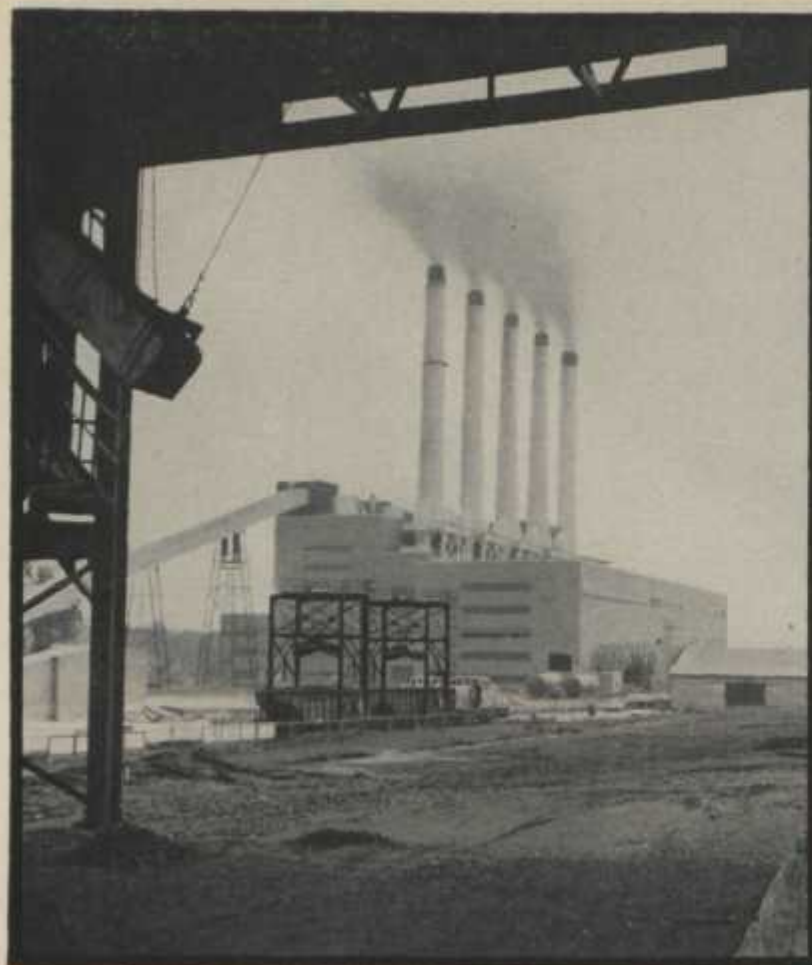
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# Trends

## of Nation's Business



## THE STATE OF THE NATION BY FELIX MORLEY

### Classrooms, not playgrounds, integration's big problem

THERE are two quite separate ways of viewing the issues of integration, the one being from the standpoint of social justice and the other from that of education. Unfortunately, solution from both viewpoints is necessary for the eventual success of this democratic experiment.

The stronger the case, as a matter of simple justice, the more difficult the educational problems involved are likely to be. In districts where public schools for white and colored have been separate but clearly unequal, the act of merger greatly increases the burden on all teachers. Social equality is advanced by placing children of contrasting races at adjacent desks. But simultaneously this emphasizes any educational disparity that may exist.

These two aspects of the problem are now fully realized in the nation's capital, where integration has been much more thoroughgoing than in any other city in which the Negro school population exceeds the white. In Washington, consolidation has been made effective not only for all the grades, but also for teaching, administrative and supervisory personnel. Socially speaking it is reasonably successful and disciplinary difficulties are less than was gloomily forecast. The strictly educational problem, however, has been aggravated rather than solved. As one teacher puts it: "Integration

is working on the playgrounds. It is not working in the classrooms."

Many observations to that effect were made at the hearings of the congressional subcommittee which recently investigated the results of integration in the District of Columbia public schools. It is alleged that the inquiry, based on only two years of actual experience, was premature and also slanted, because conducted mainly by southern congressmen. These charges, however, did not justify the effort to shut off the investigation altogether. The nation as a whole is entitled to a report on the results of the first trial of comprehensive integration, as carried out in good faith in its capital. And Congress, which is the governing body for the District of Columbia, is certainly the appropriate agency to make that study.

A survey of the testimony from dozens of teachers shows that educational difficulties form the most obdurate part of the whole problem. By and large the colored children, from heretofore segregated schools, are simply not the scholastic equals of white children in the same nominal grades. It is this inequality which compels "classroom segregation"—a division of children in the same class into sections which, when adjusted to scholastic rating, turns out to be largely a division by color.

Little of the testimony suggests that this differentiation is necessarily permanent. The back-



## State of the nation

ground of inferior colored schools, poorly trained colored teachers, less literate and less affluent homes—all are cited as explanation of the general academic inferiority which is too apparent to be denied. It is asserted that the disparities are already tending to diminish now that integration, in Washington, has become a matter of course. Unquestionably there are many individual exceptions, on both sides, to fortify the argument of those who claim that there is no congenital intellectual superiority by race.

This long-range optimism, however, in no way lessens the quandary in which the hard-pressed teachers of the District find themselves today. Currently, they must either split up each integrated class according to demonstrated mental capacity, meaning a heavy multiplication of the teaching load, or they must step the tempo of unified instruction down to a level far lower than is appropriate for the grade involved. One elementary school principal cites the case of sixth grade Negro children who cannot even begin to read. Having reached the sixth grade in segregated schools they cannot now be dropped to the first grade "where they belong." Another principal of an integrated school says it will take "from five to 10 years" to work out difficulties of this nature in Washington and suggests that other communities "study the mistakes made here."

One school supervisor told the congressional committee that the need is for "imaginative administrative measures to cope with slow learning." But many teachers evidently think that, even before integration, too much tolerance was being shown for children who cannot, or will not, study. Washington has been properly proud of its public schools. Many of the graduates go on to college and do well there. A teacher who must constantly cope with slow learners cannot simultaneously encourage and stimulate quick learners. It is feared that the whole process of public education will deteriorate under the dead weight of those to whom even the alphabet is an unsurmountable obstacle.

Wholly apart from integration, this catering to incompetence is now recognized as a national educational problem. It was the subject of sharp comment at the White House Conference on Education a year ago. Scathing books have been written on such subjects as "Why Johnny Can't Read" and in many communities parents have revolted against the substitution of "life adjustment" courses for the basic teaching that the little red schoolhouse, however deficient its equipment, used to give. So-called progressive education, in

which nobody ever fails and no pupil is ever disciplined, is on the defensive now.

Criticism of its soporific techniques has been encouraged by the disconcerting discovery that the United States is falling behind Russia in the basic training of scientists and engineers. In our public schools such frustrating subjects as chemistry, physics, algebra, geometry and trigonometry are studied by only a small minority. In Russia no boy can graduate from school without some competence in all of these. A careful study on "Soviet Professional Manpower," published by the National Science Foundation, concludes that Russia has reached at least "equivalence" with the United States in scientific education.

"The Soviet effort continues," says this report. "Our own policies in the field of education . . . will decide whether within the next decade or so the scales will be tipped off balance."

It would be grossly unfair to throw all of this problem at our overburdened teachers, vaguely demanding that they show more imagination in coping with it. If anything, there is already too much imagination and not enough learning in the public schools. Nor is it possible to remedy the situation with more and better buildings. For the problem is qualitative. Shall public schools methods encourage the superior, or the inferior, pupils? A good teacher can do one or the other—but never both at once.

With the elimination of child labor, the raising of the school-leaving age, the tightening of truancy laws and the emphasis on automatic promotion, public school teachers have in fact undergone a change of occupation. In addition to teaching, they now have the sociological function of supervising many children whose educability is dubious. Those who cannot learn must be entertained, or at least kept off the streets and reasonably tractable, during school hours. This is an important function, but it is not primarily that of education. Indeed, if teaching must be downgraded to the lowest common denominator, it can actually be the reverse of education. Such retardation of the better minds will stultify the potential scientist, engineer or scholar.

This problem of the public schools was apparent to many before integration became mandatory. And where integration is proceeding gradually, as the Supreme Court advised, it has not brought new complications. But where attempted at one fell swoop, as in Washington, the difficulties already present have been painfully increased. They show that the problem is educational quite as much as social. Indeed the color line may be less of an obstruction than that which divides those who learn easily, white or colored, from those for whom learning is always arduous and sometimes—as every teacher knows—all but impossible.



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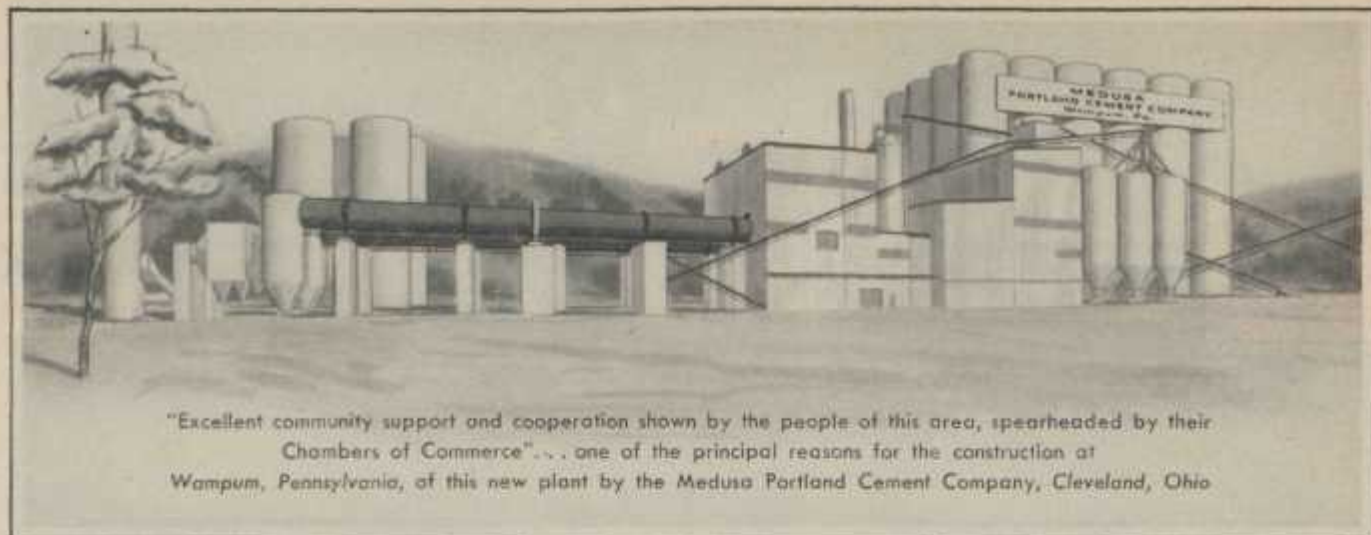
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# Trends

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## WASHINGTON MOOD

BY EDWARD T. FOLLIARD

### Change coming in future campaigns

IT IS SOMETHING we take for granted, but what most impresses many foreigners about an American presidential election is its aftermath—that is, the calm and sportsmanlike way in which we accept the result.

I got to thinking about this in Panama City when President Eisenhower went there for the Congress of the Americas. He was supposed to meet with the 20 other presidents of the Western Hemisphere, but two of the Latin American chief executives stayed away.

The explanation for their absence, we were told, was simple: They feared to leave their home capitals. They were afraid that while they were away

rival politicians would shoot their way into the presidential palaces.

President Eisenhower, I noticed, was the only chief executive in Panama City to ride through the streets in an open car, a spectacle that delighted the natives. Some of the other leaders were afraid of assassins, apparently with good reason. One of them, President Anastasio Somoza of Nicaragua, was assassinated two months later.

• • •

Thoughts of Panama City have been running through my mind as I have traveled about the United States in the 1956 campaign, first with Adlai Stevenson and then with President Eisenhower.

Barnstorming by airplane, Mr. Stevenson landed at Tulsa, Okla., Sept. 24. In the crowd that greeted him at the airport were some Cherokee Indians, in native costumes and war bonnets. One of the braves gave the Democratic presidential nominee a pipe of peace.

Adlai, in acknowledging the gift, laughed and told the crowd:

"I assure you that I am not going to make peace with the Republicans."

He paused and then added: "I am not, that is, until after the election."

The added words really were not necessary. Adlai knew—and so did everybody else at the Tulsa airport—that, no matter which way the election turned out, Americans would accept the result gracefully and then go about their everyday affairs.

I suppose no foreigner has ever better described an American presidential election, or paid us a finer compliment on our political manners, than Alexis de Tocqueville, the French aristocrat, who toured this country in 1831-32, witnessed the campaign in which Andrew Jackson won a second term, and then returned to France to write his great "Democracy in America."

M. de Tocqueville seems to have been somewhat awed by the lustiness of the campaign, disturbed by Old Hickory's rough-and-tumble politics, but reassured by the epilogue. Here is what he wrote:

"For a long while before the appointed time is at hand, the election becomes the most important and the all-engrossing topic of discussion. The ardor of faction is redoubled; and all the artificial passions which the imagination can create in the bosom of a happy and peaceful land are agitated and brought to light.

"The President, on the other hand, is absorbed by the cares of self-defense. He no longer governs for the interest of the state, but for that of re-election; he does homage to the majority, and instead of checking its passions, as his duty commands him to do, he frequently courts its worst caprices.

"As the election draws near, the activity of



## Washington mood

intrigue and the agitation of the population increase; the citizens are divided into several camps, each of which assumes the name of its favorite candidate; the whole nation glows with feverish excitement; the election is the daily theme of the public papers, the subject of private conversation, the end of every thought and every action, the sole interest of the present.

"As soon as the choice is determined, this ardor is dispelled; and as a calmer season returns, the current of the state, which has nearly broken its banks, sinks to its usual level; but who can refrain from astonishment at the causes of the storm?"



George Rothwell Brown, the distinguished political writer, who began reporting Washington news back in the McKinley Administration, says that no presidential campaign is quite like those that preceded it.

Certainly historians will conclude that this 1956 campaign was different. For one thing, it marked the first time that a President ever sought re-election after a heart attack. Partly as a result, there never was a campaign in which such extraordinary attention was focused on the Vice Presidency. And then there were the astonishing performances of former President Harry S. Truman in trying to stop Mr. Stevenson at Chicago and of Harold E. Stassen in trying to dump Vice President Richard M. Nixon from the GOP ticket. Historians might also note that the old-fashioned campaign train almost disappeared this year.

The first man to serve as Vice President, vain and jealous old John Adams, felt slighted in the office, believing that it was not equal to his abilities.

"My country has in its wisdom," he said, "contrived for me the most insignificant office that ever the invention of man contrived or his imagination conceived. As I can do neither good nor evil, I must be borne away by others and meet the common fate."

The late Alben Barkley, who delighted in the title of Veep, was more philosophical about his destiny. He used to tell this story: Once there were two brothers. One went to sea and the other was elected Vice President. Neither was ever heard from again.

Consider now the case of Vice President Nixon. When he started out on his far-ranging campaign travels in September, every big newspaper and press association assigned reporters to cover him. Some 30 writers and photographers traveled with him, and many others were turned away because of lack of space.

His rival, Sen. Estes Kefauver, also was heavily covered by newsmen.

There were riddles in the campaign that may not be cleared up until some more memoirs are written.

Why did Mr. Truman try to wreck the Stevenson bandwagon and attempt to put over Gov. Averell Harriman of New York when it was evident to nearly everybody at Chicago that the convention would not have Harriman? Why did Mr. Truman say that Mr. Stevenson was a born conservative, that he lacked fighting spirit, and that he was doomed to defeat if nominated?

I think I can give a clue by telling a story. In the 1948 campaign, I was at Eugene, Ore., when Mr. Truman made the hair-raising statement: "I like Old Joe, but he is a prisoner of the Politburo." About a year after Mr. Truman moved out of the White House, I was chatting with him in the Mayflower Hotel in Washington. I asked him why he said in Eugene that day that he liked Stalin.

"Well," he answered promptly, "I did like him. So did Roosevelt and Churchill. Long before I met Stalin at Potsdam, I saw secret cablegrams between Roosevelt and Churchill in which they called him 'Uncle Joe.'"

In saying that he liked Stalin, Mr. Truman meant of course that he had been moved by the Russian's personal magnetism. His estimate of him as an historical figure was that he was a monster in a class with Tamerlane, Ghengis Khan and the other notorious tyrants. He said so publicly many times.

Anyway, knowing something about Mr. Truman's blunt forthrightness, I can only conclude that he said the harsh things he did say about Mr. Stevenson because he honestly believed them, no matter how wrong or unfair they may have been.

It should have surprised nobody when Mr. Truman ate his words after the balloting at Chicago, praised Mr. Stevenson as a fighter and predicted that he would give President Eisenhower a licking. That was Truman the organization Democrat talking, the regular who supports the ticket no matter what. Not many know it, but the Missouri gamecock was opposed to a third term for Franklin D. Roosevelt, believing that it would establish a dangerous precedent. Of course when Roosevelt got the nomination for a third term, he went down the line for him; otherwise he would not have become FDR's running mate in 1944 and President himself in 1945.

Why Mr. Stassen set out to dump Vice President Nixon, only to wind up by seconding his nomination in San Francisco's Cow Palace, is something that still baffles a lot of Washington observers. Some think he was just playing a long shot and that it had something to do with his own powerful ambition to be President. They suspect, too, that he may have had encouragement from some pretty influential men in the Republican Party, men who ran for cover when the storm broke.



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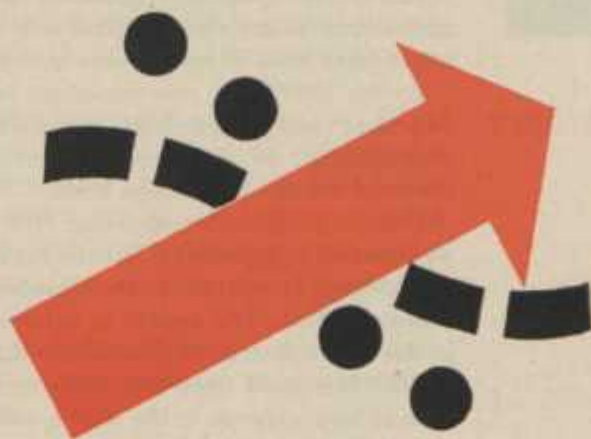
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## NEW FORCE SHAPES BUSINESS FUTURE

Here's why setbacks in two or even three important industries need not result in general slumps in the nation's economy

AN IMPORTANT new force is adding strength to American business by limiting its over-all ups and downs.

Vigorous and enthusiastic debate by businessmen, government officials and professional economists usually points to the healthy effect on the economy of government support programs and other expenditures, better handling of credit and tax policies, improvement of information and the development of effective controls.

The new force which encourages stability, and which the debaters tend to overlook, is the increasingly better balanced diversity of our economy.

We can have major setbacks in two or three important industries at one time and yet have a vigorous, growing economy. As a matter of fact, we can have a stronger economy over the long run if one or two, or even three, segments are in a process of readjustment at any given time, than we can have if everything booms at the same time.

No important industry which has a market of its own, except the federal government, now represents 10 per cent of the total economy.

In the early 19th century, agriculture represented about 35 per cent of total business. If foreign demand weakened, it did not take much to cause a slump.

Later, the building of railroads and steel and fabricating plants became increasingly important. As the economy grew, our ability to supply more of our own needs grew, too. We were soon supplying most of our own textiles, as well as food and transportation and construction facilities.

Late in the 19th century we began to build interurban electric railways,



## NEW FORCE SHAPES BUSINESS FUTURE continued



*1956 automobile production  
dropped about **1/6** from  
1955 totals*



*Housing starts slid  
nearly **20 %***



***But** business as a whole  
has risen in every quarter*



*Employment is at an all  
time high for this part  
of the year*

largely devoted to carrying passengers between cities. If railroad construction slumped in one year, interurban or some other type of construction might spurt and even things out.

Then cities began to grow more and more rapidly. If railroad and interurban construction slumped, the building of factories, stores, houses, waterworks, sewer systems, schools, or paving of streets might expand. If agricultural prices slumped, this was serious, but not as catastrophic as it might have been 50 or 75 years earlier.

By the 1920's, two new important industries were added—highway construction, and automobile manufacturing and servicing. Agriculture dropped from its 35 per cent of a century before to less than an eighth of the total volume of business done.

Today's program for spending \$100 billion dollars to improve our highway system is impressive, but the highway work of the 1920's was roughly comparable, in relation to the economy of that time, with the current tremendous effort. The growth in automobile production and use was greater in the 1920's than in all probability it has been or will be in the 1950's and 1960's. We could, therefore, have very little railroad construction, and a drop in farm exports, in the 1920's, and still have a high level of prosperity.

Two very important further additions to the economy have occurred since the 1920's. The first is the emergence of the federal government as a major purchaser of goods and services. From 1921 to 1929, the federal government bought, on the average, in 1956 dollars, not more than \$3 billion of goods and services a year. It accounted for less than two per cent of the total output. Now it accounts for more than \$45 billion of goods and services, or about 11 per cent of the total.

The second important change in the economy is the tremendous expansion in personal expenditures. In the prosperous years of 1865-1870, personal expenditures probably averaged under \$350 per capita, in 1956 dollars. From 1901-1905, they may have averaged something under \$500; during the 1920's, about \$900, and from 1945-1949, the figure was about \$1,350.

This year personal expenditures will approximate \$1,575—a figure 75 per cent above the average of the 1920's, and one which will represent about 65 per cent of the total volume of goods and services produced.

This tremendous outlay buys many things: about \$30 billion of travel, including \$15 billion for automobiles and parts; more than \$13 billion of recreation, including \$3 billion for purchase and maintenance of radios and television sets; more than \$80 billion of food; more than \$25 billion of clothing; about \$3 billion of private education.

The diversity, as well as the magnitude, of consumer purchases is important. It reinforces vigorously the diversity and magnitude that has developed in manufacturing, transportation, distribution, and government.

If railroad construction and agricultural exports both declined at any one time in the 19th century, the country was likely to have a serious depression. Farm income in 1956 dropped \$2 billion below the 1953 level, automobile production dropped about a sixth from the 1955 total, and housing starts slid nearly 20 per cent.

But business as a whole has risen every quarter. Employment is at an all time high for this time of year. This is due in part, of course, to the fact that both business and government know better how to handle their affairs so as to reduce the chances and magnitudes of recession. Government has learned something about when not to raise or lower taxes, for instance. The Federal Reserve has learned a great deal about when to loosen and when to tighten credit. Business has learned better how to plan its capital budgets over long periods, that it should go forward with plans even during slack times, and not shift its inventory policy with every change in the wind.

But the improvement in business in 1956—despite the decline in automobiles, housing and agriculture—is due more to the fact that declines in even these basic industries now represent only minor influences to the total



economy. The sum total of the declines in these basic industries, although very important to the industries themselves, was a drop of less than two per cent in the total of all business.

Agriculture today is less than 10 per cent of the total economy. Mining represents less than two per cent of all business; private construction is less than eight per cent; metals manufacturing about five per cent; transportation less than five per cent. Most industries are subject to several different market influences. A mild depression might therefore affect only part of an industry, or might not affect it at all.

The construction industry expanded in the recessions of both 1949-50 and 1953-54, for instance. That was in part by chance. But the industry is so diversified that it would be difficult for a minor general decline itself to have much effect on it. Highway construction is now heavily influenced by federal programs and financing, and state and local highway revenues tend to rise even in mild recessions. Revenues from gas taxes rose through 1930 and even 1931, for instance.

School construction will not be appreciably affected by minor business changes because of the intense desire of communities to at least maintain, if not improve, educational standards.

Healthy private markets tend to resist the effects of business declines, too. Utility companies will not reduce their construction programs appreciably, and may even increase them during mild downturns.

Other large corporations also increasingly tend to handle their construction programs on a long-range basis. If a new chemical process appears to offer good profit potentials, construction of the plant probably will not be delayed, and may be expedited by a slackening in the general economy. If a manufacturer finds he needs new processes or products or important changes in his current lines to stay competitive, he will push the construction of whatever new facilities may be required and for which he can obtain approval and financing. Some types of commercial construction might be delayed by a recession, but others might be encouraged.

Some types of manufacturing would ordinarily decline in a mild recession. Such declines might even start a mild downturn. But other types might expand at the same time and reverse the trend.

The production of food, paper, printing, and chemicals, for instance, rose in 1954. So did the production of automobiles and other transportation equipment manufacturers. Outlays for trucking, for communications and public utilities rose, too.

Because the economy is now so complex, a reduction in markets must affect many areas very seriously to offset the impact of the growth in new areas, and in other healthy ones. A decline in just a few need not trigger a recession.

No industry can judge its markets perfectly. Witness the automotive industry in 1956. But industries are becoming (continued on page 70)

## TWO FACTORS IN CHANGE:



1. *Emergence of federal government as a major purchaser of goods and services*

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average **\$3 billion**  
per year; **2%** of  
national output

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to these check up programs



YOU'RE not as sick as you think you are.

This conclusion is borne out in a study of some 3,500 executive health examinations. About 40 to 45 per cent of the executives complained of ailments. But the examinations revealed only 12 to 30 per cent of the top level men were actually ailing.

The wide gap between the two indicates needless worry.

"Executives as a group are not sicker than other men," says Mrs. Ruth Burger, Research Institute of America editor who conducted the health survey.

But baseless worry is nothing to laugh off. Anxieties and tensions often cause symptoms like insomnia, dizzy spells, heart palpitation and stomach trouble that may lead to serious disability. Physical and emotional stress, for example, can be an aggravating factor in heart trouble.

Medical advice aimed at self-understanding of an individual's anxieties can go a long way toward building up health and good spirits.

"A sick man is no good to his company, and a worried man is just as non-productive as a sick man," says Dr. Harry J. Johnson, director of Life Extension Examiners, one of the most experienced medical directors in the business and industrial field. "If he's worried about a coronary, he's not going to pay attention to what's going on in board meeting."

In contrast to the gap between complaints and ailments discovered, the Research Institute study showed that among the 55 to 60 per cent of the executives who had no complaints, actual disabilities were discovered in 15 to 30 per cent of the cases.

Taken together, the findings emphasize the executive's need for a clearer picture of his health to ease worry as well as point up any ailments.

The study found that executive health plans are spreading throughout industry to meet this need. Many organizations already have such health programs in operation.

And, says Dr. Johnson, "I can't emphasize this too much: The reassurance that executives get from a health plan is one of the most important dividends from a company point of view."

Dr. Johnson has supervised more than a million examinations, and interviewed more than 25,000 executives himself.

Since 1946, executive health plans, revolving around periodic diagnostic checkups, have expanded throughout American industry by an estimated 1,000 per cent. Medical societies have special industrial health committees. Hospitals have



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set up industrial health departments. Not only the shape of the worker, but the fitness of the boss is commanding growing attention.

Also private clinics are doing more examinations and health surveys for management. Some now have ten times as many clients as they did a few years ago.

These and other facts significant to businessmen are brought out in the study. From it four principal findings emerge:

1. Business has seriously begun to protect its top manpower investment. Management personnel represents a heavy outlay in training and experience. Until now, it has been assumed that the executive could afford to protect himself. Now it is becoming more and more apparent that it's not a matter of whether he can or cannot afford protection; it's a lack of time and motivation.

Many a management health program dates from the serious illness or loss of one of the executives. This is especially true in a small business where fewer men carry the load of responsibility, and the incapacity of a single man can seriously damage the business. So where a health program may be regarded as a good investment for a large company, it is coming to be recognized as practically an essential to the smaller organization with its eggs in fewer baskets.

2. The need for good executive talent is acute throughout American industry. One way to help solve the problem, management has concluded, is to keep the executives you have.

3. Health examinations are an important part of the fringe benefits that industry can offer to attract and hold its employees. Not only do health plans save money for the executive but many provide the added inducement of tax-free recreation and rest.

4. Companies that try health plans find executives come to like them. Executives find that one of the most realistic benefits is removal of fear of serious illness.

Company health programs vary widely in scope and execution, as we shall see, but experience shows first essentials include a survey of the executive's medical life history, an appraisal of his current physical condition and a report which will serve as a basis for correcting defects.

Neither the business firms nor the doctors entirely agree on what should comprise the ideal examina-

tion. The most comprehensive program would consist of the following steps:

- Review of medical history
- Routine physical examination
- Electrocardiogram
- X-ray of heart and lungs
- X-ray of stomach and intestines
- X-ray of colon
- Dental examination
- Basal metabolism test
- Proctoscopic examination
- Complete blood count
- Serological blood test
- Blood sedimentation rate
- Urinalysis
- Review of findings

Many doctors pull away from the "dragnet" type of program that gives all types of tests to everybody. They feel the number of abnormalities uncovered does not warrant the expense or effort. On the other hand, the routine check-up is not enough to uncover some serious, correctable ailments. Experience indicates a course somewhere between the two.

Examinations should be followed by a consultation between doctor and executive. Discussion should not stop with an analysis of ailments. It should also include an exploration of such problems as work habits, vacations, job stresses, preparation for retirement and similar personal matters. A counseling program aimed at giving the executive an understanding of his health problems and an actual assurance of good health will more than pay for itself in improved morale alone, experience has shown. One of the most important steps in the whole program is an effective follow-up to see that the best possible application is made of the finding that the health examination uncovers.

The kind of program any one management decides to conduct depends on its own nature and requirements and what it wants to accomplish. A variety of factors should be considered. The following analysis of some of these factors is based on the experiences of companies covered in the Institute's nationwide survey.

Among the health programs conducted by U. S. business and industry, three main types stand out:

- Company-handled.
- Medical services provided by private outside physicians.
- Through hospitals or clinics.

Here are some of their advantages and disadvantages.

### The company-handled program

Medical departments, long a feature of many business organizations—particularly in manufacturing—have been expanded in many cases to handle executive examinations

and health programs. Companies which conduct their own programs cite many distinct advantages.

One of these is cost. The average cost of a comprehensive examination through outside agencies averages about \$150 per man. Inside the company, a program can be handled at \$10 to \$30 a man.

A second advantage is convenience. Many busy executives dislike taking the time to visit an outside hospital or clinic. With a company department, they say, you can run down on short notice and get it over in a hurry.

There are two distinct advantages to using the company doctor. First, he is usually familiar with the particular type of stress and strain faced by his own executive personnel; he can thus make more realistic appraisals and offer constructive suggestions. Second, he is in more frequent contact with his executives, so he can come a lot closer to seeing that his advice is carried out.

Finally, special executive health programs can arouse jealousy among other company employees. The chances of such criticism are reduced when examinations are given on the premises by a doctor available to all employees.

Most company medical departments do not have the X-ray and laboratory facilities needed for a really comprehensive diagnostic examination. In most cases, the best they can offer is a limited, routine check-up. Some firms call on local hospitals for X-ray and laboratory work while turning to their own departments for routine services. However, this brings up the costs.

Turning an executive health program over to a company medical department may mean expansion of staff, time and expense of hiring new people, reassigning duties, setting up new procedures and perhaps buying new equipment. Besides, the company's medical director may not be the best diagnostician for an executive health program. In hospitals and clinics, services of the best specialists are available.

There is also one other important—and ticklish—consideration. Everyone agrees that it is essential to keep results of the health examination confidential. This is harder to handle when findings are kept on file within the organization. On the basis of this one problem alone, many firms decide to run their programs with outside facilities.

### The private physician

A health program conducted through private physicians is perhaps the simplest of all. Some com-

(Continued on page 74)



# CREDIT OUTLOOK:

## new fields ahead

Credit expert:



**William J. Cheyney** is well qualified to discuss the outlook for consumer credit, which he does in this interview with editors of *Nation's Business*.

As Executive Vice President of the National Foundation for Consumer Credit, Washington, D.C., Mr. Cheyney is in daily contact with all the economic and social problems related to credit use.

The foundation he heads is an association of more than 1,000 businesses which use credit. Its membership includes manufacturers, distributors, retailers and financial institutions. Its educational program has been designed to teach the intelligent use of credit as a means of insuring sound economic growth of the nation while helping to satisfy the appetite of the American public for the material goods which enrich daily living.

Is consumer credit too big?  
Will Congress enact controls?  
Can credit do more jobs?  
Here are answers

**Is there any cause for alarm concerning the size of today's consumer credit outstanding?**

There are two ways to measure the question of possible alarm. One has to do with whether or not today's customer who owes money is going to pay in full, and the other is whether the total amount of credit outstanding could have unfortunate effect on the nation's economy.

As to the first question, there is no cause whatever for alarm. Consumers are paying their accounts more rapidly today than ever before. Net credit losses suffered by retailing are lower than at any time in a generation. Net losses in the entire durables field are closer to one half of one per cent than to three fourths of one per cent, whereas in 1938 to 1941 the figure was three per cent.

As to the effect on the national economy of any given amount of credit outstanding, there is no historical guide to an answer. My own presumption is that the use of credit today by consumers is one of the reasons for the tremendous prosperity we are enjoying. It is one of the reasons why the great consumer durable goods industry is employing the people it does at the high wages it is paying.

**Do you expect the next Congress to be asked for stand-by credit controls?**

I should not be at all surprised.

There are those in both political parties who have for a long time felt that the permanent power to



regulate consumer credit resting in the hands of the Federal Reserve would have a salutary effect, if no more, on the economic picture. At the moment I believe the Republican Administration is not interested in asking the Congress for these powers although the President mentioned the matter in his economic message early in 1956. He actually, however, only requested a study of the consumer credit situation.

The study is now under way and there are those who feel that it will be used by advocates of permanent stand-by legislation in this field as a means to persuade Congress to act.

#### **When will the study be finished?**

Shortly after the first of the year. I think in all fairness to those who are conducting the study it should be noted that not all of them are interested in making it a means to persuade the Congress one way or another. I think this goes for many of the top officials of the Federal Reserve who are not particularly keen on being saddled with the problem of consumer credit controls.

#### **If Congress is asked to approve stand-by legislation, what is the probability that it would do so?**

I think Congress will be slow to saddle the economy with a potential threat of regulation at the consumer level—barring war or near war emergency.

A lot will depend, of course, on whether or not the current study by the Federal Reserve should unearth some startling new phase of the situation which none of us expects.

#### **What is the total consumer credit outstanding?**

The latest total figure is \$37.5 billion. That includes installment credit of \$29.5 billion. Noninstallment credit is \$8 billion.

Interestingly, a little more than \$15 billion of the installment indebtedness today represents automobile purchases.

#### **How are repayments running?**

Repayments are running high. Installment credit paid back in the past year comes to about \$34.1 billion. That's a little less than \$3 billion a month at this time—which is a little higher than a year ago.

#### **Do you expect that trend to continue in 1957?**

I certainly see nothing on the horizon which indicates any change.

There is no need for better payments by consumers, as I see it. We have reached what the credit experts say is a very fine repayment rate. Consumers seem well able to meet their obligations.

If we maintain the current rate—which I believe we will do—we shall be in safe condition no matter what the total outstanding may become at any time.

#### **Do you see the increase in consumer credit as an inflationary factor in the total economy?**

Only if the total purchases of the American people for cash and credit could be considered inflationary.

I think it is a mistake to single out credit purchasing as a measurement of possible inflationary effect. Consumer credit is used to purchase certain types of goods and services. Cash more often is used to purchase other types. The total demand of the public for consumer goods and services represents whatever inflationary or deflationary pressures consumers as a whole exert.

#### **What is the increase in consumer credit this year as compared to a year ago?**

In 1956 the average monthly increase of consumer

outstandings has been much smaller than it was in 1955. There has been a noticeable leveling off. As a matter of fact, even through both years—although 1955 is usually noted as a year of great credit expansion—had it not been for the unusual sale of automobiles, the remainder of the consumer credit picture would have been a very normal one with very modest increases.

The increase in consumer credit outstanding was from \$30.1 billion in 1954 to \$36.2 billion in 1955. The figure now, as I said, is about \$37.5 billion. So the increase this year has been much smaller.

#### **Do you consider the expansion of credit this year a normal growth?**

This year's expansion is perhaps more normal than last year's. There was a tremendous drive last year for the sale of certain types of consumer goods which hasn't been repeated this year. I think industry has recognized that the more modest advances taking place this year are more healthy, and I would not look for a repetition of 1955 in 1957.

We should look for an increase in 1957 somewhat akin to the increase which is taking place right now, month to month.

#### **Is there any danger in the repayment rate itself?**

In early 1955 there was a tendency for contracts to be written over longer periods of time. In the automobile field, for instance, at the beginning of the year the average contract was close to 24 months. By the end of 1955 it was close to 30 months.

The change in 1956 has been negligible. Perhaps we have reached the maximum to which the average should go in good business judgment and, as of now, the government's tight money policy—while it doesn't directly affect consumer credit—has caused all credit managers to screen credit more carefully, to be much more careful about long-term contracts. The net effect is such that I believe there will be no further extension—longer and longer terms—in the coming year.

#### **Can you tell us who owes the \$37.5 billion?**

Contrary to the general opinion that the American people are out on a limb in debt, the fact is that 55 per cent of the 55 million family purchasing units in this country owe no installment debt whatever. They may owe some charge account debt and, of course, they owe milk bills and public utility bills.

But more than 30 million families are out from under installment debt entirely.

Approximately 25 million do owe something on installments, but about 15 million of these owe from \$1 to



"business has not yet learned to advertise credit..."



## CONSUMER CREDIT

continued

\$500—which brings us the amazing net effect that 45 million buying units out of 55 million today either owe nothing at all or less than \$500 on installment accounts.

Of those who have installment debt, 60 per cent have incomes from \$3,000 to \$7,500 a year. The fastest growing group using installment credit is the group with incomes of more than \$7,500.

I think it is safe to say that installment credit outstanding today is in the strongest debtor hands in our economic history.

Of those owing more than \$500, more than half have incomes of more than \$5,000. And more than 88 per cent have incomes above \$3,000.

These data show clearly that a majority of those with installment debt today could pay off their entire indebtedness either immediately or within 30 or 60 days.

There are close to 11 million stockholders in this country. That means, roughly, that 11 million out of 55 million units hold some securities. There is no way to say that those who hold securities are among those who owe the debt, but the assumption is that many are. It's obvious that consumer indebtedness is owed more and more by people who are well aware of what is going on in the financial markets—well aware, that is, of how to arrange a family budget, how to invest savings and what the advantages are in the proper use of the credit tool.

### **Isn't this in contrast with the situation before World War II?**

The whole consumer credit tool is new, new to business as well as to the public. Of course, credit has been used for a hundred years. Nonetheless this installment credit is a specific innovation of the present age. In the thirties, for instance, installment credit was the poor man's charge account. It was a type of credit used by those who could not pay cash. Today it is much more in the nature of a convenience.

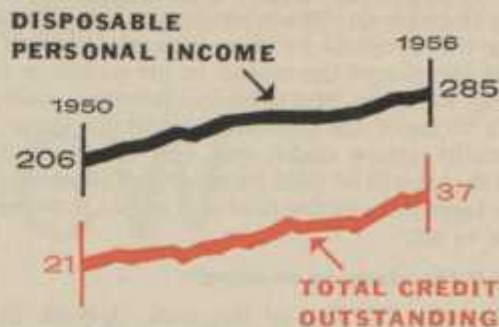
### **The nature of consumer credit, then, is changing?**

Very definitely. There are approximately 8 million family units in this country today that still do not use installment credit in any way, or at least not habitually. They are the remainder of the group which has been told that to buy on installment credit is not frugal, in fact, might even be antisocial.

Possibly the reason many of these families have not yet learned to use their credit is the fact that business has not yet learned to advertise credit in a manner which will dispel those fears resulting from past admonitions. Certainly during the coming years the public schools in the country will almost universally teach the intelligent use of credit.

Incidentally, the National Foundation for Consumer Credit has a text by that name—"Using Our Credit Intelligently"—and the six-week course has been adopted by about 250 school systems throughout the United States, including some of the principal cities.

Also it has been given the go signal by 28 state offices of education. Its purpose is to acquaint every consumer of tomorrow with the fact that consumer credit is merely an adjunct to the private economy system, a tool which is used for the convenience of any American at any time, one which can be used safely if the rules of the game are known.



figures shown in billions of dollars

### **At what level is the course taught?**

The course goes into the junior or senior high schools.

It is in use in six universities thus far, although it was not written for the university level.

### **In terms of dollar volume, how do you foresee the growth of consumer credit use in the next 10 years?**

That depends entirely upon the growth of the economy. I think that consumer credit is certainly going to increase in direct relationship to the increase in the total disposable income of the American people. I see influences which would indicate it should increase slightly faster than that inasmuch as credit is a new tool and people are still learning to use it.

And, of course, we have the increase in population to consider, the tremendous increase in the standard of living, the increase in real income which makes it possible for people who heretofore have been able only to provide food, clothing, shelter, and other necessities to have a surplus with which to purchase durable goods. And it is durable goods, basically, which are normally bought on credit.

### **You expect the proportion of families using consumer credit to increase in the years ahead?**

Yes, but not rapidly. As people learn what they can do with credit and how they can use it with safety, more and more are going to use it.

Eight million families don't use credit today. In the next 10 years, that probably will be cut in half.

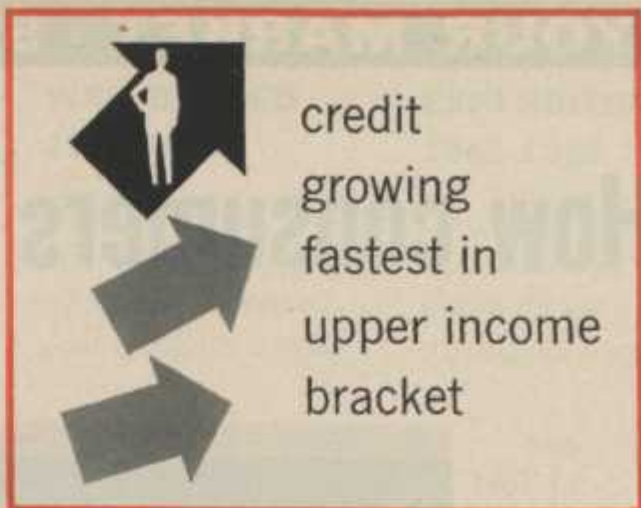
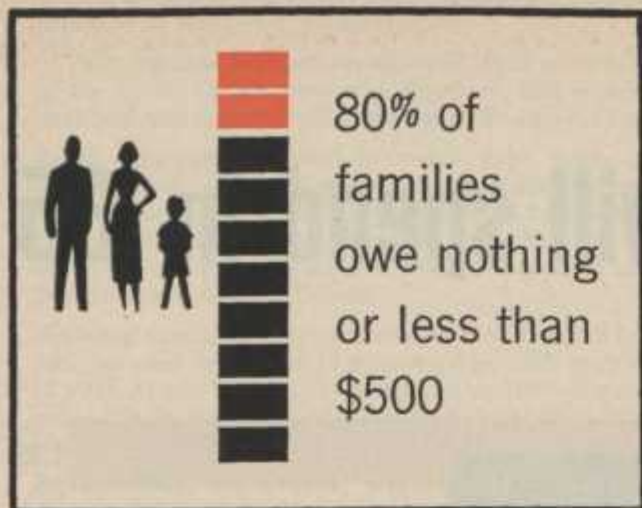
### **With a \$414 billion economy today and with \$37.5 billion of consumer credit, how do you see the proportion when we reach, let's say, a \$500 billion economy?**

Probably the consumer debt figure will be about \$50 billion. For the reasons I have outlined it should grow slightly faster than the economy until it reaches a state of maturity.

### **Does tight money influence consumer credit?**

Not directly, but tight money has made banks more cautious in lending money to retailers or others who in turn finance consumers. That has caused credit and loan managers to screen credit risks more carefully. I believe also it may, in the long run, have some effect upon the consumer himself. He may fall in line with the general economic atmosphere and tighten his purchasing and borrowing plans. But I doubt that this will be a great effect.





#### **Has tight money prevented any sales?**

Undoubtedly it has. The sales which have been lost are marginal ones where credit managers have frowned upon loose extensions of terms.

#### **Do you expect the tight money influence on credit to increase in the months ahead?**

As far as consumer credit is concerned, I look for some effect to show up during the year ahead. Tight money, on the one hand, will deter the use of credit. But the effect of increasing consumer incomes will be a tendency to increase the use of credit.

So the net effect is likely to be that tight money will deter the rate of credit increase which otherwise might have occurred in the coming year.

#### **What do you think will be the chief value of this Federal Reserve study?**

I believe that it is up to all of us working in this field to learn as much as we possibly can about credit. One of the reasons this Foundation was formed was to gather together as much information about credit as it is possible to get and to interpret it back to the business people and the public.

So I welcome the Federal Reserve survey and we are cooperating with it. We just hope that it stays in neutral hands, that it remains purely an economic document for the good of all those who have to deal with consumer credit.

#### **What dangers do you see in connection with stand-by credit controls?**

There is one danger which unquestionably outweighs all others. The very fact that a few men have legislated authority to affect drastically the size of the consumer demand or the consumer market—no matter how well equipped these men may be or how honest—would cause every board of directors to hold back on production scheduling and planning because of the possibility that this power might be used.

The very existence of stand-by legislation is a deterrent to production.

I have an idea in the long run it will be more a deterrent than an actual regulation itself would be. A regulation would be a known fact; people can cope with that. It is the unknown which causes trouble. No one would feel quite free to invest huge sums of money in making finished products only to have those products blocked up in inventory, with no purchaser, by a sudden application of federal controls.

I should say that the real problem lies in the fact that

the regulation of consumer credit truly would be aimed at—and always has been aimed at—the production schedules of the producers of consumer durable goods.

The trouble with it is that such a control will never be put into force until after the Federal Reserve Governors or others believe production has gone too far. To be economically sound as a regulatory measure, a control over production would need to be exercised before the investment of money in labor has taken place, before millions of dollars are tied up in finished goods.

Regulation over consumer credit, by its very nature, would have its impact after the investment of these millions of dollars, after the employment of labor, after goods are in inventory and when to block the consumer market would cause a tremendous economic loss and waste to the country.

#### **Are there other dangers that you see?**

Yes. One is that control has its impact upon only one phase of the economy, the durable goods industries. As I said before, if there is an inflationary pressure it's a pressure exerted by the total purchasing power or total purchasing demand of the American people, cash and credit, and in all industries.

For the government to cut back the total purchasing demand by a regulation which has its impact upon a half a dozen major durable industries is distinctly improper and unfair.

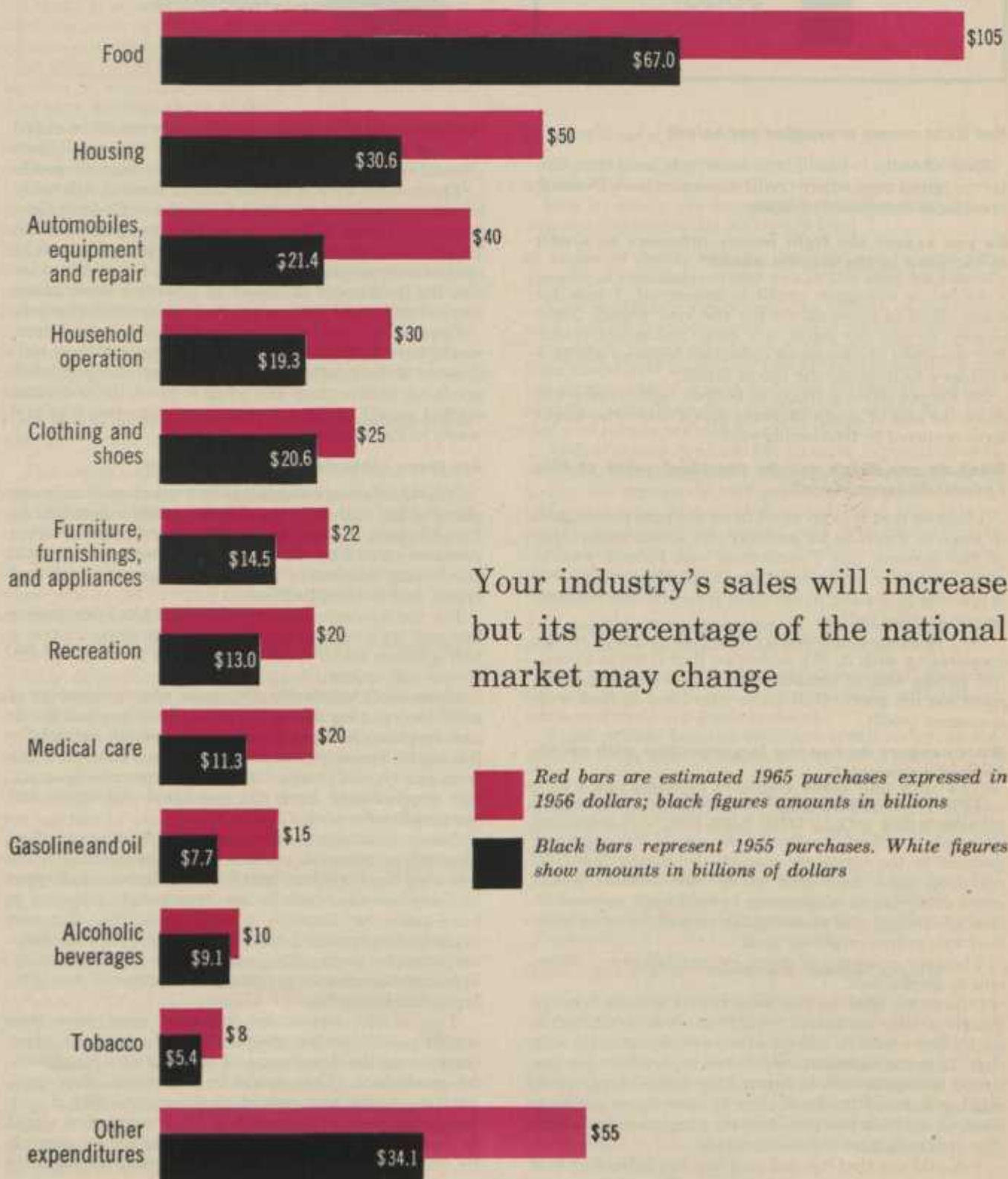
Consumers habitually determine what percentage of their income they spend for the various types of goods and services. A regulatory measure which artificially forces the consumer to channel his purchasing away from one type of product into other types exerts an unfair disadvantage upon the regulated industries and the people who work in them.

Let me illustrate the tremendous psychological effect of stand-by power to control consumer credit. On the day that the President sent his 1956 Economic Report to Congress—in which he was erroneously reported to have asked for stand-by control authority—our own organization received telephone calls from four large corporations, each asking whether the President's message meant consumer credit control authority would be legislated forthwith.

Two of the companies indicated they were then working out plans for the purchase of additional plant capacity or the investment of funds in new machinery for production. This would be postponed, they said, until the matter was cleared, on the ground that, if such legislation were to pass, both of these companies would be forced to hedge against the threat of actual controls by immediately, perhaps per- (continued on page 95)



## How consumers will spend in '65



Your industry's sales will increase but its percentage of the national market may change



**Consumer expenditures** now \$265 billion per year, are expected to total \$400 billion in 1965.

This estimate is based on national income statistics of the U. S. Department of Commerce, and assumes that business activity will continue at its current level.

**Food**, although improved in many ways, takes less than two per cent more of the consumer dollar than it did 25 years ago. The food portion was 24.7 per cent in 1929; 23.3 in 1939; 28.0 in 1945; 26.3 in 1950, and 26.4 in 1955. Food expenditures for 1965 are expected to be 26.2 per cent, or \$105 billion.

**Housing's** portion of the consumer dollar dropped from 14.5 per cent in 1929 to 13.4 per cent in 1939, and 10.2 in 1945. It was 11.0 in 1950, and 12.1 in 1955. Housing expenditures for 1965 are expected to total \$50 billion, or 12.5 per cent.

**Automobiles, equipment, and repair** expenditures, despite temporary declines, have taken a steadily larger proportion of consumer income. In 1929 expenditures for automobiles, equipment, and repair were 5.2 per cent of total consumer expenditures. In 1955 these expenditures were 8.4 per cent. With more two-car families, automotive expenditures in 1965 are expected to be \$40 billion, or 10 per cent of total expenditures.

**Household operation** accounted for 8 per cent of total consumer expenditures in 1929, 8.6 in 1939, 8.0 in 1945, and 7.6 in 1955. These expenditures are expected to be \$30 billion, or 7.5 per cent of total in 1965.

**Clothing and shoes** accounted for 11.9 per cent of consumer expenditures in 1929, were 10.5 in 1939 and 13.5 in 1945, but dropped to 9.5 in 1950 and 8.1 in 1955. This drop is expected to continue, with expenditures being 6.3 per cent, or \$25 billion, in 1965.

**Furniture, furnishings, and appliances** have taken an almost constant portion of the consumer dollar during the past quarter century. They were 5.7 per cent in 1929, 5.6 in 1939, 4.8 in 1945, 6.7 in 1950, and 5.7 in 1955, and are expected to reach 5.5 per cent, or \$22 billion, in 1965.

**Recreation** expenditures also have taken an almost constant portion of the consumer dollar: 5.5 per cent in 1929; 5.2 in 1939; 5.0 in 1945; 5.6 in 1950; and 5.1 in 1955. These expenditures are expected to be 5 per cent, or \$20 billion, in 1965.

**Medical care** expenditures have risen steadily: They were 3.7 per cent of total expenditures in 1929; 4.1 in 1939; 4.1 in 1945; 4.3 in 1950, and 4.5 in 1955. This rise is expected to reach 5 per cent, or \$20 billion, by 1965.

**Gasoline and oil** accounted for 2.3 per cent of total consumer expenditures in 1929; 3.3 in 1939; 1.5 in 1945; 2.6 in 1950, and 3.0 in 1955. In 1965 they are expected to be 3.8 per cent, or \$15 billion.

**Alcoholic beverages**, legalized in 1933, rose to 3.8 per cent of total consumer expenditures the next year, reached a peak of 6.2 per cent in 1944, then dropped to 4.1 in 1950 and 3.6 in 1955. This drop is expected to continue, reaching 2.5 per cent, or \$10 billion, in 1965.

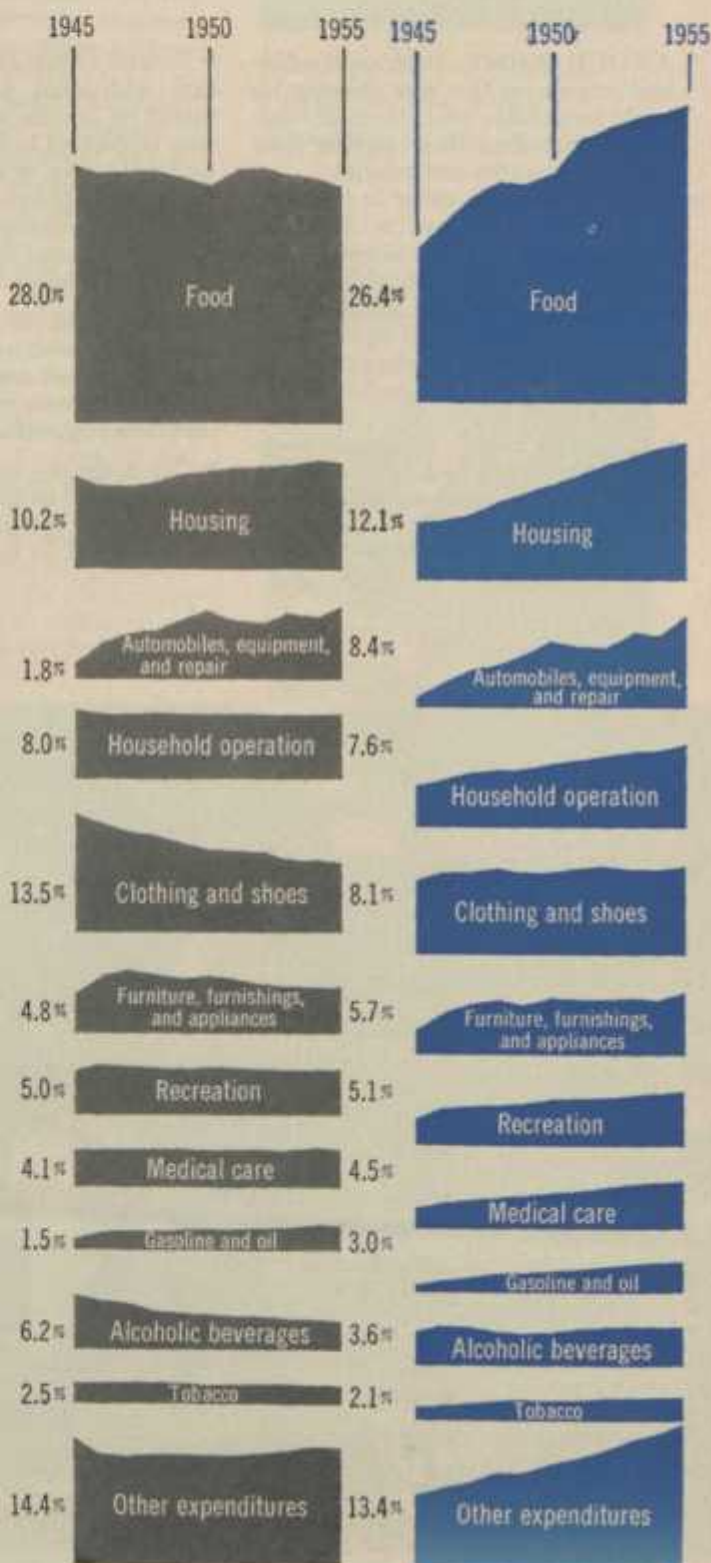
**Tobacco** was 2.1 per cent of total consumer expenditures in 1929, rose to 2.7 in 1939, but was 2.5 in 1945, 2.3 in 1950, and 2.1 in 1955. The 1965 expenditures are expected to drop to 2 per cent, or \$8 billion.

**Other miscellaneous expenditures** were 16.4 per cent of total consumption expenditures in 1929, 13.9 in 1939, and 13.4 in 1955. These expenditures for 1965 are expected to be 13.7 per cent, or \$55 billion.

—FRED D. LINDSEY

## HOW CONSUMER DOLLAR WAS DIVIDED 1945-1955

*Charts show shifting percentage of incomes spent for various needs*



## TRENDS IN CONSUMER EXPENDITURES 1945-1955

*Charts show that sales grow even when share of market falls*



# HIGHER PAY GETS NEW PUSH

These four suggested changes in federal wage-hour law would boost cost of labor for most businesses

A FOUR-POINT attack on the federal wage-hour law now shaping up could boost labor costs for most businesses, including those paying even the highest wages and salaries.

The action will center in the Congress which convenes in January. Preliminary moves already are under way in the federal agencies which administer and measure the impact of federal wage legislation.

Those pressing for change would revise the law these ways:

► Raise the hourly minimum wage from \$1 to \$1.25, and later to \$1.50. This would mean several billion dollars in higher pay to many of the 24 million workers covered by the law.

► Extend coverage to some 10 million additional workers. Included would be outside salesmen and persons employed in food processing or by large farms, or in various types of retail and wholesale establishments, hotels, theaters and other businesses. A total of about 23 million workers are not now subject to the law.

► Boost to \$6,000 a year the minimum salary which 3 million management employees must be paid to continue to be exempt from the law's overtime pay requirements.

► Cut down the straight-time work-week from 40 to 35 hours, with time-and-a-half overtime pay for any work beyond 35 hours.

Activity already in progress includes:


*Studies* of both the immediate and the delayed economic impact of the eight-month-old \$1 minimum on 12 industries and on 10 communities of less than 100,000 population.

*A survey* of commissions and wages paid and hours worked in mid-October in 20,000 retail trade establishments. The study is intended to reflect the hours and earnings of some 6 million retail workers not now under the wage-hour law.

*Investigation* and consideration by Wage-Hour Administrator Newell Brown of union demands that he fix as high as \$150 a week the minimum salary test of whether an employee is exempt from overtime pay as part of the white-collar management group. Present salary yardsticks for this purpose are \$55 a week for executives and \$75 for administrative and professional employees.

*Research* by AFL-CIO economists into the feasibility, method and timing of labor's drive for shorter hours with no loss in pay. The AFL-CIO has called on Congress to reduce the 40-hour provision of the wage-hour law, and labor's drive on this front will parallel efforts to get employers to shorten working hours while maintaining take-home pay.

The extended coverage issue has legislative priority because Congress



Working hours and pay of 6 million retail employees not now covered by wage-hour law are being appraised



deferred action on it in 1955 in the interest of getting the higher \$1 minimum through.

President Eisenhower has repeatedly asked Congress to broaden minimum wage coverage, and will do so again if re-elected. Both Republican and Democratic parties are committed to it.

Attempts to deliver this year bogged down. In anticipation of acting next year, Congress appropriated \$150,000 for the survey of earnings and hours in retail trades, where workers represent the largest group not covered by the wage-hour law.

The survey is being conducted by the Bureau of Labor Statistics for the Wage-Hour Division of the Department of Labor, which administers the wage-hour law.

The American Retail Federation, which had recommended that the survey be assigned to BLS, cooperated with BLS in arranging for a statistically sound sampling and asked its members to cooperate fully in supplying the requested data.

"The retail industry has much to gain and nothing to lose by cooperating," Rowland Jones, Jr., ARF president, said in a letter to members. "It is my personal belief that the facts flowing from the survey will not justify federal controls in this area."

ARF is a federation of 30 national and 36 state retail associations representing more than 700,000 retail outlets through their combined memberships. There are about 1.7 million retail establishments in the country.

BLS officials say the survey, covering the mid-October payroll period, is one of the most comprehensive and detailed wage studies ever conducted.

It covers all sizes and types of retail businesses, except eating and drinking places, in all parts of the country.

Retail stores, warehouses and central offices of retail trade firms also are covered, but not manufacturing plants operated by retail firms. No business will be too small, as long as it has one paid employee.

Businesses with less than eight employees are being contacted by representatives of the Census Bureau on their regular monthly calls for census information. Mail questionnaires are being sent to businesses with eight or more employees. Personal visits are being made to larger companies to select the operations for which information is needed and to arrange for its compilation.

BLS plans to issue a partial report of its findings for retail trade as a whole in late spring.

The main issue in Congress seems to be just where to draw the line

in applying the law to groups not covered. There is no real pressure to extend it to all workers. Any extension, in fact, would be the first since the law was passed in 1938.

The basic test of whether a worker is covered by the minimum wage law is whether he is "engaged in interstate commerce or in the production of goods for commerce." This applies to the individual worker—not to the employer.

This basic test has been narrowed by several specific industry exemptions.

In 1949 when the minimum was raised from 40 to 75 cents, Congress added six new exemptions and enlarged four existing ones.

Last year the minimum was raised to \$1 with no change in coverage or exemptions. The impact of any increase is usually considered in relation to the groups it would cover. President Eisenhower's request for a 90-cent minimum and original opposition to \$1, for instance, was in terms of the effect of a \$1 rate on uncovered groups the President wanted brought under the law. When Congress sent him a bill with a \$1 minimum, applicable only to workers then covered by the 75 cent minimum, he found no difficulty in signing.

Coverage could be expanded in two ways: by revising the interstate commerce clause, or by eliminating or narrowing specific industry exemptions for those otherwise covered by the commerce clause.

Of 13.6 million wage and salary workers not covered by the wage-hour law because they do not engage in, or produce goods for, interstate commerce, the largest group—5.6 million—are in retail trade.

The others are: services and related industries, 3 million; domestic service, 2 million; construction, 1.9 million; finance, insurance and real estate, 414,000; transportation, communication and utilities, 286,000; wholesale trade, 262,000; agriculture, 99,000; manufacturing, 86,000; mining, 19,000, and forestry, 2,000.

The main attack on coverage will be through revision of the commerce clause.

George Meany, president of AFL-CIO, for instance, thinks the law should cover "each employee engaged in commerce or in the production of goods for commerce, as well as each employee employed in or about, or in connection with any enterprise which is engaged in any activity affecting commerce."

The Secretary of Labor, James P. Mitchell, is thinking along the same line. He has expressed concern over unequal treatment within the same

(Continued on page 104)



*Raising the minimum wage will be a big question again in 1957*



*Higher minimum salaries will be sought for management employees*



*Reduction of straight-time workweek will be pressed harder*



# TAX changes are coming

Studies now going on show direction revisions will take



**REP. MILLS (D-ARK.)**

*"If revenue increases everybody should get some relief"*

*Most Democrats favor increase in personal exemption, help for small business*



YOUR FEDERAL tax laws will be changed next year. This now seems as certain as death and taxes themselves.

A number of business levies, from capital gains to excises, are among those due for critical examination beginning this month.

Until Congress acts, no one knows exactly what alterations will be made. However, the main areas where tax revision is likely, the outlook for tax reduction, the proposals with potent backing as well as the ideas with little chance of adoption can be predicted.

To find the answers, NATION'S BUSINESS interviewed ranking lawmakers who will write next year's tax legislation and tax experts in and out of government.

These major factors point to some change if not an overhaul in the national tax statutes:

- ▶ On Capitol Hill, three studies either are in progress or will begin this month to lay the foundation for new legislation.
- ▶ The prospect of higher receipts either from higher incomes or better collections may tempt the lawmakers to whittle tax rates or increase exemptions.
- ▶ Enough time has elapsed since the overhaul of the tax laws in 1954 to study their operation and note areas where adjustment is needed.
- ▶ Political campaign and party platform promises for tax revision and the hope of each party to get credit for a tax cut may press Congress to action.

The nature of tax revision depends somewhat on the outcome of this month's election. If the Democrats retain their majority in Congress, any general tax relief likely will take the form of a boost in personal exemptions and a cut for small business. Most Republicans favor an equal percentage, across-the-board cut in levies and help for business both large and small.

However, talks with members of the House Ways and Means Committee, where all tax bills are born, indicate that a mixture of these proposals seems likely to succeed if Congress decides to reduce taxes.

Though the Eisenhower Administration has opposed tax cuts that would unbalance the budget, an influential Republican member of the tax-writing committee predicts flatly that in event of a Republican victory taxes will be reduced next year and in this way: A percentage cut will be made all along the line. The present \$600 personal exemption will be increased by about \$50. The corporate tax rate—now 30 per cent on the first \$25,000 of taxable income and 52 per cent on income over \$25,000—will be lowered to help small business. Some excise taxes will be reduced.

Behind this prediction, he says, lies the fact that, even if Mr. Eisenhower wins the election, he will lose some cooperation from Congress since it will be his last term. A constitutional amendment now bars a President from serving a third term. It applies for the first time to President Eisenhower.



A high-ranking Democrat on the Ways and Means Committee proposes this as a likely tax change if the budget surplus is large enough to justify it: Rewrite the individual income tax rates to make them more progressive. Lower the rate for the first bracket from 20 per cent to 10 per cent, and the top rate of 91 per cent to 65 or 75 per cent. He adds a desire to "help small businesses without losing more than \$400 to \$500 million in revenues."

The apparent eagerness to give small businesses a tax break is evidenced in both the Republican and Democratic party platforms. The G.O.P. platform pledged "insofar as consistent with a balanced budget" to initiate "a sound policy of tax reductions which will encourage small independent business to modernize and progress."

The Democratic platform stated: "We favor realistic tax adjustments, giving first consideration to small independent business and the small individual taxpayer."

In addition, President Eisenhower has promised to give prompt and favorable consideration to the recommendations of his Cabinet Committee on Small Business. The Committee proposed reducing from 30 per cent to 20 per cent the normal part of the corporate tax, but leaving the 52 per cent rate on income of more than \$25,000. Rep. Daniel A. Reed, ranking Republican member of the Ways and Means Committee, regards the proposal as "not too bad."

Another Cabinet Committee tax idea is to extend the privilege of accelerated depreciation deductions to limited purchases of used buildings and equipment. The privilege now applies only for buyers of new property. A third proposal is to give small corporations the option of being taxed as if they were partnerships if the corporate tax proves too burdensome.

A further proposal is to give a taxpayer a chance to pay an estate tax over 10 years if the estate is largely investments in closely held businesses, since immediate payment of a heavy estate tax might force curtailed operations or sale of a business.

Estimated cost of these ideas is \$600 million the first year.

A Democratic member of the Senate Finance Committee and the Select Committee on Small Business, George A. Smathers of Florida, says confidently that legislation to please the small businessman will be passed in the coming congressional session.

Existing tax provisions are encouraging a dangerous upturn in mergers, he complains. A failing small firm can sell out and pay a capital gains tax (only 25 per cent) on the profit income. The purchasing company gets valuable real estate and equipment and can deduct the failing company's losses in figuring its tax, he notes.

"This situation must be changed as soon as possible," he adds.

Chairman Wilbur Mills, of the House Ways and Means Subcommittee on Internal Revenue Taxation, has called the treatment of net operating losses "one of the most pressing problems" in business income taxation. He said present law "makes these carryovers prime booty acquired in the process of business combination . . . Revision is urgently required."

One of Senator Smathers' ideas to help small corporations is included in legislation he sponsored with Chairman J. W. Fulbright of the Senate Banking Committee. The measure would reverse the normal and surtax corporate rates so earnings under \$25,000 would be taxed at 22 per cent rather than 30 per cent. This would cost the government about \$500 million.

Another bill in the last Congress, sponsored by Rep. Wright Patman, of the House Banking committee, would have cut the normal rate to 22 per cent, and it would have exempted the first \$100,000 of taxable income from the surtax. Surtax rates would range from 10 to 53 per cent, rather than the present 22 per cent. This, too, would have been costly.

This progressive taxation measure, which opponents say would stifle the growth and kill the incentive of small business, stands almost no chance of being adopted. Representative Reed is against such a graduated corporate tax. Representative Mills, second ranking Ways and Means Democrat, is against it, too. "We have always opposed

(Continued on page 98)

*Most Republicans  
favor across-the-  
board rate cut,  
help to business  
of any size*



**REP. REED (R-N.Y.)**

*"The only way to  
reduce taxes is  
to cut spending"*



# HOW'S BUSINESS? today's

## An authoritative report by the staff of The Chamber of Commerce of the United States

### AGRICULTURE

The U. S. Department of Agriculture is buying medium-size eggs and frozen turkeys for distribution through the school lunch program in an effort to stabilize prices.

Record-breaking production of eggs, broilers and turkeys have led to this and other purchase and disposal programs.

New markets in West Germany are being promoted through a payment of 5½ cents a pound to exporters of broilers, fowl, ducks and turkeys.

The International Cooperation Administration has made arrangements enabling Spain to buy \$2.5 million worth of shell eggs. Groundwork is being laid for additional market outlets in other countries.

Egg production, according to the USDA, is up five to six per cent this fall over a year ago. The 76.3 million turkeys raised this year surpasses the previous record of 67.7 million in 1954. Government officials estimate a 20 per cent increase in this fall's supply of broilers over last year but consider that possibly stronger red meat prices may prevent a further drop.

If the government programs are to stabilize prices of poultry and egg products, purchases will need to be large enough to relieve the glut of heavy turkeys in November and to offset the seasonal increase in egg production in coming months.

### CONSTRUCTION

The Federal Reserve Board's 1956 Survey of Consumer Finances discloses some interesting items.

Almost two-thirds of the homes bought last year were existing homes. About 85 per cent of all purchasers incurred mortgage debts.

More than 30 per cent of the houses cost \$12,500 or more and

about the same percentage cost \$7,500 or less. Purchases were most frequent among families with incomes from \$5,000 to \$7,500.

Early this year half of all non-farm homes were mortgaged, about 30 per cent for more than \$7,500 and the same proportion for less than \$3,000.

Since the war the large number of home purchases, stimulated by liberal credit terms, has brought an increase in both the proportion of homes carrying mortgage debt and the proportion with a relatively high ratio of debt to value. Mortgage debt is most frequent for home owners in the \$5,000-\$10,000 income range.

### CREDIT & FINANCE

Factors now point toward heavy Christmas buying. Enthusiasm on the part of businessmen is running high.

The housing lag probably will continue into next spring along with the tight money situation.

Business expansion plans may be slowed somewhat. The trend toward higher interest rates will cause careful reconsideration of expansion plans and a temporary setting aside of some.

Federal Reserve will not interfere in the current tight money situation with changes in rules regarding banks' reserve requirements or lower stock margins.

There is little possibility of an increase in interest rates on FHA and VA mortgages. Both will come in for congressional examination.

Defense spending is going up. No great progress is being made in trimming defense costs. Interest on public debt is at an all-time high. Soil-bank payments cause federal budget to strain.

Indications are that interest rates will remain high for a long time.

### DISTRIBUTION

The increase in total retail sales in 1956—consistently about four per cent—is more indicative of a continued high level of economic activity than a buying spree.

In August, sales of nondurables were eight per cent above the previous August. This increase reflects not only larger volume, but some increase in prices. Department store sales by regions have increased from two to as much as seven per cent.

So far this year consumers have been spending 93 cents out of every dollar of disposable personal income. In the same period last year they spent 94 cents; in 1954, 92 cents.

Merchants are looking to record Christmas sales, but early and strong promotion will be needed.

Here's what retailers have to shoot for: To equal the present 1956 rate of increase of four per cent in sales, retailers will have to sell \$1.4 billion more goods in the last two months of this year than in the like months of 1955. Retail sales in November and December of 1955 were \$2.9 billion, or nine per cent, higher than in the same months of 1954.

### FOREIGN TRADE

The proportion of all U. S. output of goods shipped abroad as merchandise exports continues to expand. While the national product increased about eight per cent in gross value from 1954 to 1955, exports—exclusive of military aid shipments—gained 11 per cent.

Recently released figures reveal the importance of the export market to the American farmer and manufacturer. Exports, for example, of fats and oils, wheat, rice, cotton, and tobacco varied in relative size from one-fifth to one-third of U. S. production of these commodities.

From one-third to one-half of all track-laying tractors, civilian aircraft and penicillin produced last year was exported. Foreign markets also absorbed roughly one-fourth of our sulphur and lubricating oils, one-tenth of our trucks, agricultural machinery, machine tools, coal.

### GOVERNMENT SPENDING

Election-year spending and the acceleration of key programs are ex-



# outlook

pected to send expenditures of this fiscal year well above fiscal 1956 by the end of the second quarter. Although expenditures for the first quarter of fiscal 1957 ran somewhat lower than the same period last year, budget solvency is continued only through revenues substantially exceeding the fiscal 1956 level.

The Treasury's September statement reflected a more optimistic picture for the first quarter than can be anticipated at the half-year mark. Revenues are closing with expenditures more rapidly than last year. They fell only five per cent short of meeting expenditures; for the same period last year they were 17 per cent short. But farm and defense expenditures will speed up to increase the gap temporarily.

The average daily rate of spending for the first 90 days of the fiscal year has been more than \$201.2 million; revenues have been averaging \$190.6 million daily. The debt has been increasing an average of \$16.7 million a day, but this is seasonal and should change by next June 30. (See also "Taxation.")

## LABOR

The governing body of the International Labor Organization will decide this month whether communist government agents will be permitted to continue to sit as employer representatives.

The question will arise at a meeting in Geneva when a report on independence of employer and worker organizations from government domination will be considered.

The presence of these representatives, completely subservient to the whims of their governments, creates an imbalance in an organization where employer and worker representatives from the free world have exercised independent judgment.

The difficulty is that even though many recognize the problem, few appear to be willing to do much about it. What can be done? Various possibilities exist.

One is the conversion of the ILO into an all-government agency by eliminating official employer and worker representation. Another is to restore group autonomy. This means that the employer group can decide qualifications of employer representatives from member nations. A third possibility is to exclude from

ILO any employer representative not independent of his government.

## NATURAL RESOURCES

The 85th Congress will take up a bill to authorize government construction of full-scale reactors. Proponents of a government reactor program believe that private industry is not moving fast enough in developing atomic power.

Opponents of this concept feel private industry can and will make the most of the opportunities offered in the Atomic Energy Act of 1954.

Failure of the atomic reactor bill in the 84th Congress adversely affected two other bills designed to further private development of the atom. The electric energy development bill would have authorized certain exemptions from the Public Utility Holding Company Act to firms joining together for atomic energy research and development. The atomic liability bill would have provided up to \$500 million government indemnity for third-party damages resulting from reactor accidents.

Congressman Melvin Price has indicated that he will try to combine the concepts of government reactor construction and the indemnity provision in one bill in the 85th Congress. The thought appears to be that private enterprise might be willing to accept the federal reactor program in exchange for liability protection.

## TAXATION

Officially, prospects for tax reduction in the coming year are small. An estimated budget surplus as low as \$700 million would provide little room for even a token cut.

There is little doubt, however, that the recent estimates are again conservative. Corporate and personal income and tax payments are now running well above anticipation. Ex-

cises keep close pace with last year.

Through the first quarter of this fiscal year net revenues ran almost \$2 billion higher than for fiscal 1956. At this time last year the deficit was \$3.6 billion, this year it is only \$1.2 billion.

Campaign pronouncements reflect great caution in considering tax cuts but do not close the door. While the now active tax study groups in Congress have disclaimed repeatedly any intention to go into tax rates, a larger than expected surplus in the January budget would probably touch off immediate demands for reduction. (See also "Government Spending.")

## TRANSPORTATION

The Interstate Commerce Commission has scheduled hearings on the railroads' petition for a general freight rate increase in January.

The railroads' request represents a departure from their recent policy of asking only for increases sufficient to cover increased costs. This time the roads are asking that they be allowed to increase their rate of return to that permitted other public utilities.

In the petition, the railroads point out that, in the past 10 years, their return based on investment has averaged only 3.74 per cent. Moreover, the petition serves warning that the trust certificate device, through which the carriers have been able to obtain badly needed rolling stock, is approaching a state of saturation.

The proposed rate increase is expected to total approximately \$1 billion annually, which would mean a net return of about six per cent for all rail lines. With this improved rate, the railroads argue that they will be better able to meet car shortages, make other improvements, conduct a research and development program and generally maintain the status of a vigorous industry.







*"Secretary of  
Just in Case"*

PHILLIPS—BLACK STAR

## ARTHUR FLEMMING gears business for defense

These are the reasons why decisions of  
the Director of the Office of Defense  
Mobilization influence our economy

IN HIS every action, Arthur S. Flemming exerts a far-reaching influence upon the course and conduct of American Business.

Various known as the "Secretary of Just in Case," the "Coordinator of If," and the "Chairman of Nightmare," Mr. Flemming has the official title: Director, Office of Defense Mobilization (ODM).

"Don't forget this," says a partner in a New York investment house. "When Arthur sneezes, a thousand businessmen reach for handkerchiefs."

Mr. Flemming's agency is primarily in charge of the nation's nonmili-

tary defense. In this post, however, Mr. Flemming's authority seems as broad as the horizon.

In coming months, for example, he must render or recommend decisions on such weighty economic questions as these:

Should the government curtail its multibillion dollar tax assistance program for defense industries whereby companies are allowed to depreciate for tax purposes at a faster rate than normal the major cost of new facilities?

Should the United States restrict the monthly import of millions of barrels of oil from the Middle East?

Tall, genial, deaconish, Mr. Flemming is a prominent performer in the arts and adjustments of public administration. In manner he has the subdued self-assurance of a clutch-hitter. This trait is singularly useful in a job never designed for the high strung nervous type.

It is Mr. Flemming's responsibility, at this juncture in the cold war, to make sure that the country is in a state of economic readiness to cope successfully with shooting wars, local, regional, global, including the possibility of an H-bomb attack upon the continental United States within a warning time span of a few weeks to a few hours.

ODM does not, for example, carry out the actual work of gathering and storing in 289 locations the 75 minerals, metals, fibers for our strategic stockpile. All that is done by the Departments of Interior, Commerce and Agriculture in cooperation with private firms and governments around the world. But Mr. Flemming and his colleagues formulate policy on stockpiling for which \$2.5 billion has been spent in the past 3½ years. It is up to the ODM to plug gaps in anything from agar to zinc, antimony to zirconium, or in whatever other materials may be required for the increasingly complex weapons systems of Army, Navy and Air Force.

Typically, to get producers to expand nickel output, inadequate at 300 million pounds a year, the ODM by last May issued \$129 million in tax amortization certificates, authorized another \$50 million for working capital loans, pledged that the government would provide a steady price floor for new purchase contracts calling for an additional annual supply of 140 million pounds of nickel by 1961. ODM is using similar incentives to push 22 other expansion programs.

When, in the summer of 1955, copper stringency resulted from a combination of strikes in the United States, Chile, Rhodesia, the demands of the boom, and the flooding of the Connecticut Valley, ODM diverted 8,000 tons of the metal from delivery to the stockpile for general industrial uses, and another 6,300 tons for urgent defense and flood rehabilitation purposes.

The impact of ODM decisions upon business activity only begins with the size and shape of the stockpile. The ODM also maintains a balance sheet for every component and sub-assembly in the flow of production behind some 1,000 military end items. Manufacture of these could be seriously delayed if the right equipment were not in the right place at the right time. Hence,





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THE AMERICAN TRUCKING INDUSTRY, WASHINGTON, D. C.

## FLEMMING-ODM

*continued*

ODM recently allocated \$64 million to buy and install new machine tools to enable the turbine and turbine gear industry to keep pace with military requirements.

It is moving to round out production in such other deficiency areas as high pressure steam boilers and closed die heavy steel and titanium forgings.

Moreover, by September 19 the government had issued tax amortization certificates for some \$36.7 billion in facilities, of which 61 per cent, or \$22.3 billion, was eligible for rapid depreciation (five years as against 20). The investment went, for example, for railway rolling stock and roadbeds; facilities to generate and transmit electric power; for oil refineries, pipeline and stor-

the Commodity Credit Corporation the green light to barter wheat for Jamaica type bauxite, and which authorizes lease of government-owned industrial equipment on which the rentals come to \$12.5 million a year.

When it looked as though a shut-down of the Suez Canal might cut off shipments of oil from the Middle East to Western Europe, it was upon ODM initiative that spokesmen for 14 U.S. oil companies met with Interior and other agencies to develop plans to provide Britain, France, Belgium and other NATO allies with 500,000 barrels of oil a day—if and when necessary.

The man who exerts all this influence on business is a paradox in today's Washington. He has never had any direct business experience or connections.

Yet those bankers and industrialists who have worked with him commend his realistic grasp of busi-



## Trade guardian

The head of ODM must advise the President if imports impair national security by weakening domestic industries.

age facilities. In this process, ODM does not overlook the double advantage of speeding the defense build-up while soaking up unemployment in labor surplus areas.

The rapid tax amortization program may be sharply curtailed early next year. When Mr. Flemming gets the latest calculations from the Pentagon in March on defense and defense supporting industry requirements, he will decide the future of the tax assistance program. At that time he will also decide whether the steel industry should get rapid tax certificates for the \$1.5 billion in applications now on file with ODM.

It is also the ODM which gives

business problems. He is an academician with a kitetail of earned and honorary degrees (A.B., LL.D., D.C.L., D.P.S.), and is most at home among the social sciences noted for their broad generalizations. Yet his relish for the specific, as against the abstract, recently prompted a high ranking diplomat to complain "Arthur always prefers an ingot to an ideology."

A non-drinker, a non-card-player, a non-smoker, he is definitely not one of the boys. Yet he is liked and trusted by those to whom bourbon, poker and cigars are accepted forms of relaxation. (Mr. Flemming's ideas of a high old time run to boat-





Ah sure take a lickin' stickin' stamps!



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The DM has a moistener for sealing envelopes. And it will print postage

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The ordinary method is to cut off a section of glass, grind one side, turn it over and grind the other side.

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For further information, call your Libbey-Owens-Ford Distributor or Dealer (listed under "Glass" in the yellow pages). Or write Dept. 97116, Libbey-Owens-Ford Glass Company, 608 Madison Avenue, Toledo 3, Ohio.\*

**LIBBEY  
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FORD**

## FLEMMING-ODM

*continued*

ing, bowling, and books on moral philosophy.)

Born in 1905 in Kingston (N.Y.) into a family of Bull Moosers, (his father was a well-known judge active in GOP circles), Mr. Flemming has remained a Republican. Yet he has been regularly recruited for vital jobs by both the New and Fair Deal Administrations. It was first of all as a Republican that he was in 1939 appointed by President Roosevelt to the three-man U.S. Civil Service Commission which, under the law, has to include one member of the party out of office. Subsequently he was borrowed from the CSC to serve as labor supply chief for the Office of Production Management, as head of the Management-Labor Policy Committee of the War Manpower Commission, as adviser to the Navy's Manpower Survey Board. For 17 years he has been absorbed, full or part time, by the question of how most effectively to mobilize manpower in an era of continuing crisis. Since this task entails a widespread knowledge of human skills in relation to ores, kilowatts, cruisers, lathes, rockets, comptometers and uniforms, cyclotrons and the teaching of physics, he has been compelled to acquire a panoramic view of the interlocking character of the economy.

It was to tap this knowledge that he was named, during Korea, Assistant Director of ODM. He took charge as acting chief in 1953. He was retained as chief in his own right by President Eisenhower. Mr. Flemming is the only holdover from the Democratic Administration to occupy so pivotal an office under the GOP. Whether the Republicans or Democrats are in charge of the Executive Branch during the next decade, Mr. Flemming is likely to be around. One reason is that he is a technician trained in the theory and practice of public administration. In this respect he resembles the Permanent Under-Secretary of the British Civil Service system more than the usual U.S. political appointee. He also tends to represent the philosophy that, although control of government may change with elections, the process of government endures and has a life of its own.

He first glimpsed this idea when as a student of political science at Ohio Wesleyan University (of which he is now president on leave), he began preparation for a unique career. This preparation continued as Instructor of Political Science at

American University in Washington, D.C., where in 1934 he became Director of the School of Public Affairs after four years as a reporter with the *United States Daily*.

Now, in an age of specialists, he is a specialist in government operations from the Bureau of the Budget to the Bureau of Indian Affairs. As such he has been the workhorse on government personnel for both Hoover Commissions.

All this explains why, seven weeks before President Eisenhower's inauguration, Milton Eisenhower suggested that, with a new Cabinet being formed of businessmen unfamiliar with the methods of the federal bureaucracy, it would be nice to have someone like Mr. Flemming around. So useful did Mr. Flemming prove to be that the President asked him to sit in regularly on all Cabinet meetings.

Mr. Flemming's range of influence is further broadened by his position as Chairman of the Defense Mobilization Board. It is here that ODM activities, on the tactical level, are meshed with those of State, Defense, the Atomic Energy Commission, Treasury, Commerce, Interior, Labor and other agencies.

On the strategic level, Mr. Flemming gets his guidance from the National Security Council of which he is a member.

Basically, therefore, ODM's long list of duties grow out of National Security Council decisions on what the United States has to do to survive and flourish in the face of the three great concurrent revolutions of our time:

► The revolution of communism (a) Soviet communism as the new engine in the old chassis of Russia's traditional imperialism and expansionism; (b) Chinese communism as the model for yellow, brown and black races.

► The revolution of science and technology exemplified by the earth satellite project *Vanguard* and by experiments in high protein diets from sea-water algae.

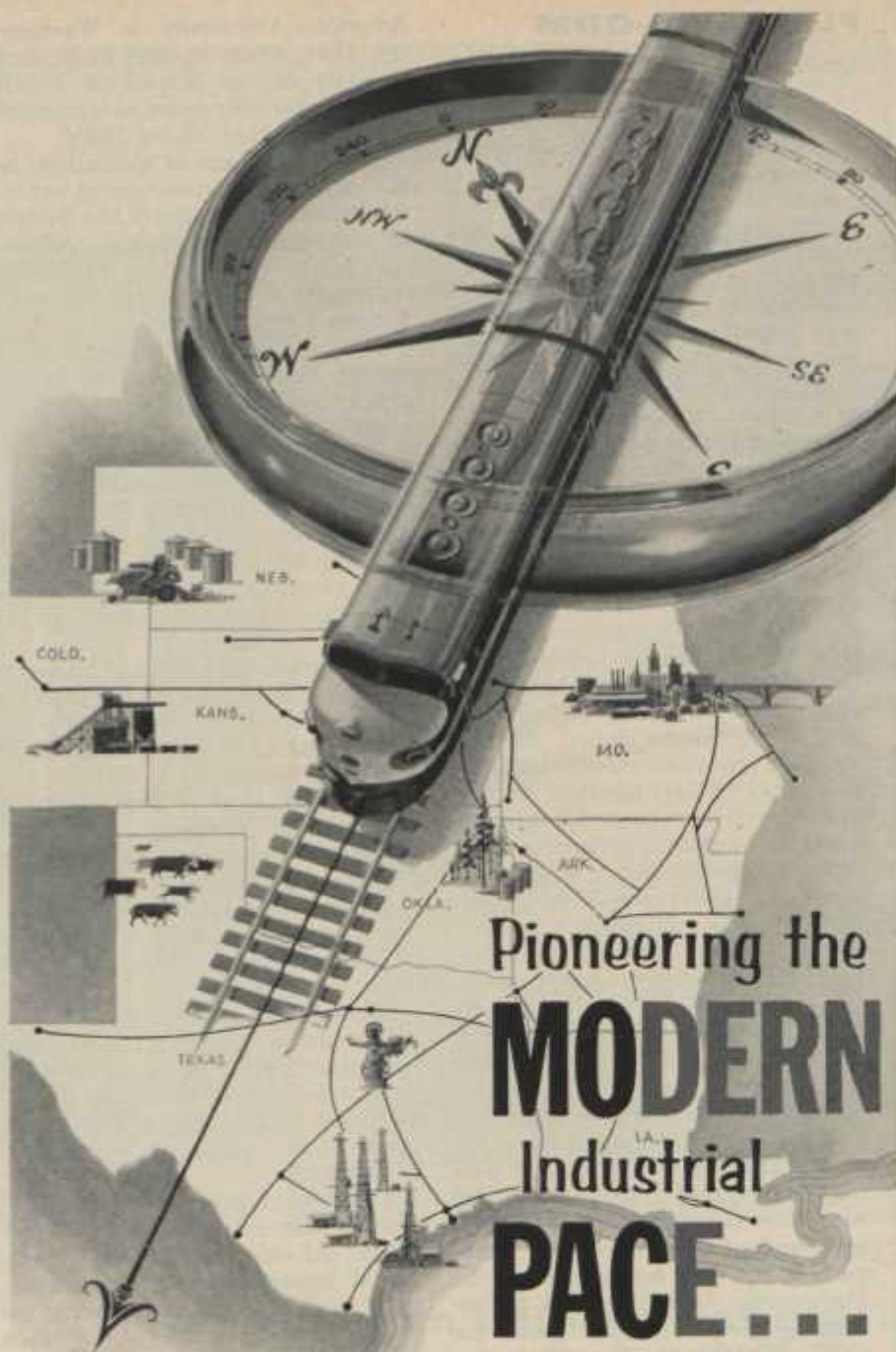
► The revolution of rising expectations, notably the clamor for higher living standards among the peoples of the 18 countries which have emerged from colonial status since the end of World War II.

In this context, the National Security Council is proceeding on four major assumptions:

That the United States must have a foreign policy designed to prevent war rather than merely to avoid it by withdrawing from trouble; that this policy should help build the strength of peoples to resist communism and choose freedom.

That the United States must have





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LINES**

**ROUTE OF THE EAGLES**

## FLEMMING-ODM

*continued*

an offensive military force which, together with that of NATO and other allies, will be powerful, advanced and flexible enough to deter communist aggression wherever this threatens America's vital interests.

That the United States must have defensive military force to protect this country against any kind of attack.

That the United States must have a non-military defense structure to support a new Korea, to recuperate from thermonuclear devastation and to keep fighting until victory is won, or to meet any other martial contingency.

The ODM's work cuts across all these considerations and the programs which emerge from them. The United States, for example, has been buying around \$700 million worth of stockpile materials each year from other countries whose economic stability in many cases depends in no small measure upon these sales. However, in passing the Trade Agreements Extension Act of 1955, Congress inserted a section under which ODM has to determine whether or not such imports impair the ability of domestic firms to meet emergency needs up to the point where this would endanger the national security.

If the ODM finds that a condition of this sort exists, it is supposed to so advise the President in order that he may decide whether to impose import quotas or other restrictions upon the commodity involved. On this always ticklish issue, the ODM is, in effect, both judge and jury.

Last September, for example, it began hearings on a petition by the Cordage Institute composed of 13 manufacturers of rope and twines. The Institute affirms that imports are doing precisely what the Act says they shouldn't do. American importers of cordage on the other hand, contend that domestic output has never fulfilled mobilization demands, that Canada, Mexico, Cuba, and other nations always have had to make up for these deficits, and that the national security can be best safeguarded by sustaining foreign sources of supply.

Pending also are ODM hearings on the claims and counter claims as to the "defense essentiality" of these other industry groups: aluminum foil, analytical balances, clinical thermometers, fluorspar, jeweled watches and clocks, photographic shutters, wool textiles and wool felt.

In each case, ODM will have to sift the evidence, deliver a verdict





New York Central's new, aluminum-painted lift bridge spanning New York's Harlem River. Six years in building, this bridge replaces 63-year-old swing bridge now being demolished. Aluminum paint for the new structure supplied by The Sherwin-Williams Company, Cleveland, Ohio.

## Sherwin-Williams Aluminum Paint beautifies \$18 million Harlem River Bridge

Brilliant coating reflects solar heat,  
reduces expansion of moving parts

The New York Central Railroad spent six years and \$18 million building this huge lift bridge over the Harlem River in New York. To beautify this giant structure, NYC engineers chose gleaming Sherwin-Williams Aluminum Paint, pigmented with ALCOA® Aluminum. The railroad likes aluminum paint because it gives the span a bright, clean, attractive appearance.

Moreover, engineers report that, because brilliant aluminum paint reflects solar heat, expansion of moving parts is kept to a minimum. This reduces the likelihood of binding or jamming of parts during hot weather, which could hamper the bridge's operation.

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## Examine the record— Then Vote for Concrete Highways

Roads, like elected officials, should stand on their records. Today, motorists, whose gasoline taxes pay for roads, should examine that record, for America is engaged in a gigantic highway construction program.

Many existing highways are concrete roads such as shown here, built in the 1920's. Though carrying heavier loads and  $2\frac{1}{2}$  times the traffic they were designed for, they're still on the job. *This record merits your vote of confidence.*

Recent engineering surveys offer new evidence of concrete's exceptional durability. For example, practically all of the concrete roads ever built in Tennessee and Washington and 96% of those in Missouri are still serving.

Even such records will be surpassed. Improvements in design, materials and construction methods now enable highway engineers to build concrete roads to last 50 years and more.

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GEORGIA

U. S. 78 west of Atlanta. Built in 1916. Average daily traffic, 7,000 vehicles.



CALIFORNIA

U. S. 66 near Los Angeles. Built in 1927. Daily traffic today is 26,800 vehicles.

## FLEMMING-ODM

continued

on such complicated questions as these: How vital to United States military might is a particular industry's productive capacity and its skills? Has it explored alternative courses for improving its competitive position? If it is given the protection of trade curbs what will be their effect, economic and psychological, upon our allies, other non-communist countries whose economic health is also an element in a U.S. foreign policy devoted to national security?

An issue of the widest interest now before ODM concerns imports of crude oil from the Middle East. For months Mr. Flemming has urged importers to cut by 90,000 barrels the approximately 300,000 barrels a day now coming into the country. He is to decide by early January whether to refer the matter to the President for action.

While one ODM group is seeking answers to import puzzlers, another group on the military support side is constantly checking to see if all the supply requirements are being met to keep, for example, the Strategic Air Command and its Navy counterpart capable of obliterating major enemy targets within hours; or to keep extending the Continental Air Defense with its new supersonic interceptors and long-range sky patrols, guided missiles, radar rings.

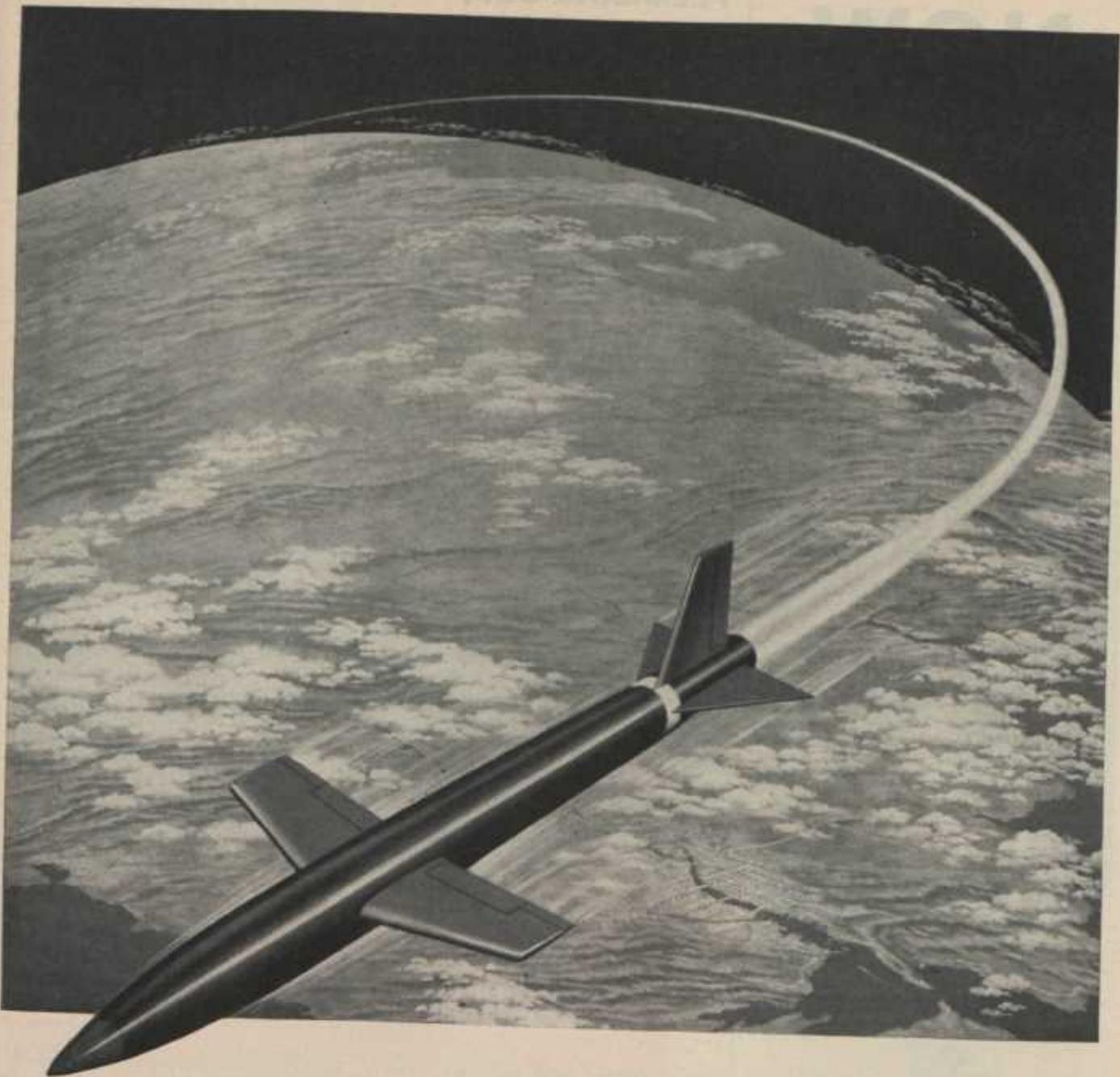
A third ODM group is constantly updating and revising programs to convert from civilian to defense production, to quicken military output, and to avert inflation and black markets in case of new wars. While all this is no easy job, it is manageable since certain precedents exist.

But there are no precedents, beyond the obsolete data about Hiroshima and Nagasaki, and the first H-bomb test that erased the Bikini atoll, to guide ODM's fourth group worrying what to do in case of a thermonuclear attack upon the United States. Yet it is here that Mr. Flemming thinks that the ODM may be making its most significant contribution to national security.

"Our policy," Mr. Flemming says, "cannot depend only on the Strategic Air Force and Continental Air Defense. That policy depends quite as much for its success upon building and maintaining a strong mobilization base that can be adapted to every dimension of war, including a sneak attack upon our country with the whole arsenal of fusion and fission weapons.

"In that situation we must have the capacity not only to retaliate but





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## FLEMMING-ODM

*continued*

also to recover and keep punching. If the adversary knows we are prepared to spring back, that we will not be defeated by his first blows, we will have added another deterrent—the clinching one—to our policy.

"This means that we can no longer rely solely upon our traditional concept of a prolonged industrial build-up. We Americans have always been justly proud of our war potential. But we may not again have the time to bring its superior weight to bear upon the enemy in a new war of attrition. For the first time in our history, we face the threat of tremendous casualties among our population and substantial destruction of our industrial capacity—during the first days of absolute war, the outcome of which may be decided in a few months, or weeks. We must have available every piece of equipment that would be critical for that period."

In saying this, however, Mr. Flemming does not imply that "on-the-shelf inventory" should supplant

communications, transportation—as required by Defense for logistical support. At the same time, ODM would meet Civil Defense claims for emergency food, shelter, clothing, medical care, clearance of debris, restoration of rail service, and water supply. ODM would also clamp controls over wages, prices, rents, and ration scarce commodities.

The three agencies have together developed a Damage Assessment Center which has already recorded on magnetic tapes the defense complex for each of 20,000 key plants. The Center's electronic computers can calculate the effects of atomic attack upon such a primary target area, for example, as the rectangle cornered by Boston and Richmond St. Louis and Minneapolis, and which includes 31 of the country's largest 50 population centers, 96 per cent of electrical equipment production, 90 per cent of all other machine and machine tool manufacture, 88 per cent of iron and steel output.

To carry out its diverse obligations, the ODM is well along in a new project to ascertain the basic survival requirements to provide



**ODM expands defense base: has  
granted \$22 billion in fast tax write-offs  
to increase strategic production.**

the idea of war potential. The two, as he sees it, must go together, just as we need a vast, mobile, diversified military establishment to deal with all types of aggression. He is convinced that the nature of our economy can enable us to do what we have to do in both the military and non-military facets of defense without arming or otherwise spending ourselves into bankruptcy.

Meantime, ODM has re-defined its own role as between the Defense Department and the Federal Civil Defense Administration under conditions of atomic attack.

ODM would mobilize and allocate all resources—manpower, machines, materials, fuels, electric energy,

Defense with the most urgent items for continued military action, and to maintain a bed-rock civilian economy over a post-attack interval of 90 days. In this study the ODM is coordinating the research and projections of 17 agencies from the Treasury and Federal Reserve, which are planning how to sustain cash and credit transactions, to the Federal Communications Commission which is planning the use of high frequency channels.

When these data are dove-tailed into an overall program, ODM Regional Coordinators will tailor it to specific conditions in 10 major regions, in cooperation with state and municipal authorities, Civil Defense,



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"—it's that new Credit Manager of yours!"



## The Credit Manager gets a bouquet

"Bill, I'll only take a minute!" The Sales Manager sounded even more urgent than usual.

"Sure thing, Jack, come in and sit down." The Treasurer took off his glasses and regarded his visitor across the desk. "What's your worry this morning?" he asked.

"Worried? Who says I'm worried? I'm happy! Look—" and the Sales Manager emphasized the word with a forefinger stabbed at the desk top. "—it's that new Credit Manager of yours! Well, he's not so new, any more, but you know what I mean: he's no old timer!"

"Now, Jack, if you're going to hold that against him—" the Treasurer began, but his gentle voice had never been a match for the other's rush of words.

"Hold it against him? Bill, I'm not holding anything against that fellow! I came to praise Caesar, not to bury him—or whatever the man said. You know! Bill—" and the Sales Manager's voice took on a note of anguish at having been so misunderstood. "—I think he's done a terrific job! Above and beyond the call of duty, or however the saying goes! Why, Bill—" and his voice dropped the note of anguish to take on a confidential tone, "—do you know how much of our sales increase we owe to him?"

The Treasurer put his glasses back on and literally stared at the other. In his utter amazement, he was incapable of answering the other's rhetorical question. But there was no need. The Sales Manager swept right on.

"Only a few days ago, he came to me and told me we weren't selling Apex Corporation hard enough! Imagine!" The Sales Manager grinned fondly at his own recollection. "Your Credit Manager telling me we're not selling an account hard enough! I nearly threw him out of my office, but darned if he didn't prove it to me! And this morning—" the Sales Manager stabbed the desk top again, "—we sold Apex our biggest order!"

"Congratulations!" the Treasurer's tone of voice was mild.

"Thanks!" said the Sales Manager. He got up briskly. "Well, I just wanted you to know the best thing this company has done in years was to make the Credit Manager's job more important and bring in a really good man to fill it. Since he persuaded us to insure our accounts receivable with American Credit Indemnity, we've penetrated areas we hadn't touched before!" The Sales Manager became enthusiastic all over again. "Why, we've been able to project our Sales plans a full year ahead!" he cried. "And—since a few days ago—we've begun selling our established accounts harder than ever! Well—see you later!"

The Treasurer took his glasses off again and smiled. "I'll tell the young man what you've said."

"No need!" the other said from the doorway. "I'm taking him to lunch and telling him myself!" And he was gone as urgently as he had come.

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## FLEMMING-ODM

*continued*

private business, the Red Cross and other volunteers. Just now these Regional Coordinators are pondering steps to ensure the continuity of government along lines tested under Operation Alert last July.

Then, 10,563 federal officials and employes fanned out of Washington for secret relocation sites within a 300 mile radius during a simulated full scale attack which hurled the nuclear equivalent of 80 million tons of TNT upon 75 separate areas, including 17 military bases and four atomic energy installations.

During this five day exercise, the whole apparatus of government assumed predetermined roles. As reports on devastation and damage came in over closed TV and telephonic circuits, Interior, for example, compiled figures on the number of electrical generating stations knocked out while ODM analysts matched this information against other disruptions in the production chain for the most vital military end items in each zone.

Mr. Flemming has been heartened by the way many firms have been collaborating with the Department of Commerce Business and Defense Services Administration on devising methods to thwart sabotage and espionage, to safeguard vital records, to train personnel for succession in command, to develop alternative sites, facilities, supply sources beyond the more congested target areas. Advisory groups from oil, steel, rubber, chemical, brass and copper, photographic film and other industries have all prepared manuals on steps a company can take to achieve continuity of operations, even if on a reduced scale.

On the whole, however, Mr. Flemming is baffled by the indifference toward the whole subject of non-military defense displayed by many people.

Other observers, outside the government, are more blunt about it. Mervyn Molloy, for example, author of "Business Survival in the Face of Atomic Attack," and a consultant to management consultants, asserts that "business generally is living in a dream-world when it comes to realistic appraisal of defense of our economy against a Soviet attack. As long as we spend billions on new product research, and pennies on survival, the results of such an attack would be far worse than almost anybody is willing to consider."

Other specialists in nonmilitary defense assert that both the Truman and Eisenhower Administrations



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**FLEMMING-ODM**

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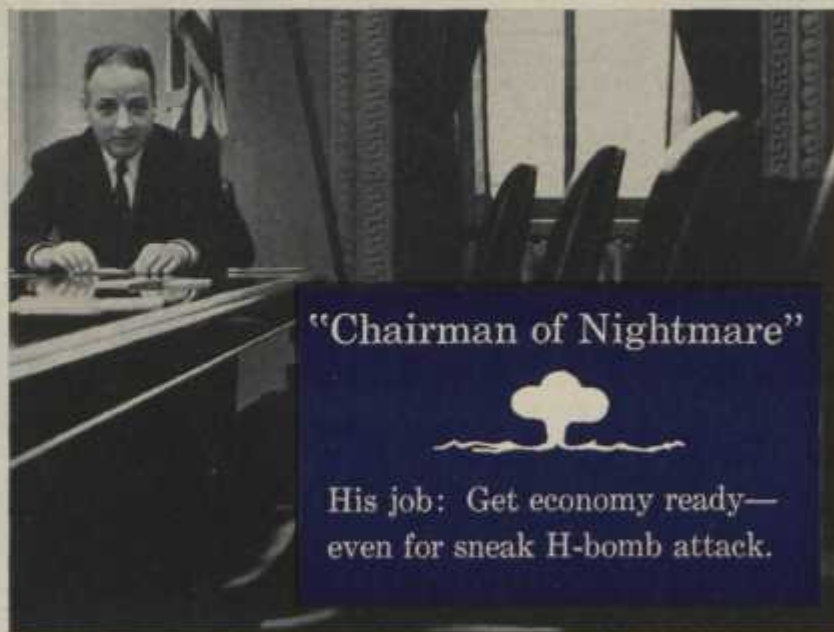
have been remiss in not encouraging business leaders to form their own industrial defense organizations, and otherwise do more than send committees to work with BDSA or release executives for schooling in ODM jobs to qualify them for its executive reserve.

These critics also argue that the National Security Council has been behind the times in failing to alert the public to the fact that space is the crucial protection against fission-fusion attack, and thus fostering a climate of opinion favorable to more rapid dispersion of plants and people. It is claimed that today's technology makes it feasible to start developing the linear, or continuous, city over, say, the 800 miles between New York and Chicago, with demographic density as low as 10,000 persons per square mile, with production and population units linked by

lic awareness. One analyst says that "the ODM has such a fetish of keeping its own staff small—down to 250 or so people, and farming out the work load, that it has failed to mobilize the mind-power to accomplish its own mission."

Another unfriendly critic observes that "it's all very well to delegate—but it can be abused. Mr. Flemming has delegated to the second and third echelons of the old agencies some basic problems of nonmilitary defense with which these people are not equipped to deal. The result is that ODM, on the surface, looks like an ideal administrative setup—just what you're taught to do in the Harvard Business School and other management courses. But underneath you have too few struggling with a job that's too big. You need more than a clean desk to prevent disaster."

Meantime, Mr. Flemming—while weighing these and other criticisms, suggestions, ideas—keeps plugging along, seeking to create a workable



**"Chairman of Nightmare"**

His job: Get economy ready—even for sneak H-bomb attack.

highways over which buses, trucks, autos could move at high speeds.

Advocates of this approach point out that the Russians, lacking our roads and vehicles, have systematically spread out toward the time when they will have something like them; that the Red leaders will not permit any other city to get as big as Moscow; that looking ahead to 1960-70 decade when intercontinental missiles, traveling many times the speed of sound, will be a reality, the U.S. needs to think hard about the defense utilization of our three million square miles of space.

On this score, ODM in general and Mr. Flemming in particular are blamed for not cultivating more pub-

unity in ODM aim and action. Immersed in grim calculations about the effects of H-bomb blast, thermal radiation, fires, gamma rays, Roentgen dosages, he conveys the impression of serene confidence.

What perhaps sustains him most is a profound religiosity that has made him an eminent lay leader of the Methodist Church. Nor does he find any contradiction between the intensity of his faith and the character of his task.

On the contrary, he feels that since ODM's purpose is to help build peace by achieving the practical ultimate in readiness for war, he is serving spiritual ends.

—HERBERT HARRIS



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# YOU CAN HELP MANAGERS GROW

This expert tells the basic principles of executive development and explains how to use them

THE REAL competition in any industry in the next 20 years will be based on management skill.

Technical processes of research, manufacturing and distribution will still be important but they are already so widely known as to be available to practically everybody.

This means that increasing the supply of management talent will be one of the most critical problems of American business. As we reach for a \$600 billion economy, the demand for more and better executives will become even more acute than our need for scientists and engineers.

This is the view of Raymond L. Randall, the government's top professional consultant in the new and rapidly growing field of executive development. As management training specialist of the U.S. Civil Service Commission, Mr. Randall is chief architect of the comprehensive executive development program now operating in 25 large federal agencies. He also is a pioneer contributor to basic research in the field, as head of the executive development study group of the Society for Personnel Administration.

Mr. Randall sees the adoption by about half of American corporations of executive development programs today as proof of hard-headed recognition of these facts about modern business life:

The trend toward bigger units of business organization will require increasing decentralization of control, which in turn will raise sharply the number of persons exercising true managerial functions. The number of executives needed to staff American business may easily double in the next decade.

Business is growing not only in size but also in complexity. Today's executive can't get by with mere proficiency in some particular field such as production or sales. He must be a broad-gauged, sophisticated human being who understands social and political forces and is capable of making intelligent value judgments. Above all, he must master the art of management itself, an art that is distinct from and in many ways more difficult than any of the technical specialties of business administration.



Growing your own executives is not only possible (see NATION'S BUSINESS, April, 1956), it is an inescapable necessity. Companies are learning that they can't depend on hiring top executives away from their competitors.

Many forces now at work—pension plans, profit-sharing schemes, insurance programs, etc.—persuade executives to make a career with one company.

Underlying all of these specific arguments for executive development, Mr. Randall says, is a more basic consideration.

"Any large organization—business or government—has a built-in



tendency to become a bureaucracy. The important decisions are prefabricated in the front office and passed down. The junior executive who is buried in the lower layers of such an organization naturally tends to become overcautious, unimaginative and provincial. He is preoccupied with his own immediate responsibilities and his day-to-day routine.

"Unless he is aggressively ambitious, he is likely to regard decision-making as a risk to be avoided whenever possible. He is more concerned with his organization's rules than with its goals, because the former are constantly held over his head while no one ever talks to him about the latter. Over a period of years, as his initial enthusiasm for his job wanes and his hopes of promotion fade, his output drops steadily until it reaches the level at which he just avoids getting fired.

"One of the main reasons for undertaking an executive development program is that it can serve as an effective antidote to this kind of slow poisoning of an organization's human resources. It releases creative energy at every level of operation by convincing junior managers that the company wants them to grow and is ready to help them develop to their fullest potential. Realization that here is a point where the individual's self-interest coincides precisely with the organization's objectives seldom fails to have a remarkable effect on morale, loyalty and efficiency."

## Where to start

Business firms and government agencies have accumulated enough experience with executive development programs to justify some broad conclusions about what works and what doesn't, Mr. Randall says.

Here are some basic principles on which most qualified authorities agree:

**Plan your own program to meet the peculiar needs of your organization.** No cut-and-dried formula will guarantee success in all situations. Trying to borrow somebody else's plan usually leads to failure. Don't become obsessed with the mechanics of the thing—the spirit with which top management approaches the task is the key to success. "With the right philosophy, almost any plan will work. Without it, none will."

**Executive development is a line responsibility of all echelons of management.** People develop people. No formal training course is half as effective as the day-to-day, on-the-job teaching that takes place in a company whose senior executives are thoroughly imbued with the concept that part of their job is developing the fullest potentials of their subordinates and bringing up a bumper crop of qualified successors.

**Top management must create a climate in which executives can grow.** It can do this only through deep delegation of real decision-making powers. Give your junior executives responsibilities which they have to keep reaching out to accomplish. "Let them learn now to live with the high-voltage uncertainty which is the constant environment of higher management. Make it absolutely clear to them that you don't expect a perfect score—just a high batting average. Management skill, like all other skills, develops through practice. It is a lot cheaper in the long run to let tomorrow's top officials get some practice before they reach the level where a mistake might cost \$100,000."

**Prepare each executive for better performance in his present assignment.** This is the primary aim of a good development program. A growing reservoir of promotables will result inevitably from such a program. But promotion should be the recognition a man gets for doing a good job where he is now—not the automatic reward for completing a prescribed course of training. Discourage the idea that you are grooming a select group of crown princes. Prove to all hands, by your actual promotion policies, that every qualified man has the same opportunity to earn his way up by superior performance. It is this knowledge that provides the



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## YOU CAN HELP MANAGERS GROW

*continued*

necessary incentive down the line for enthusiastic participation in development opportunities.

**Executive development is monitored self-development.** The desire to improve himself must originate within each man; no one can make an executive grow unless he really wants to. At the same time, few of us have the capacity to see ourselves as others see us—to judge accurately our own strengths and weaknesses so that we will know how and where we need to grow.

Some guidance by sympathetic and fair-minded superiors is essential. There are many ways in which this guidance can be given. One method which has been used with much success in government and business will be described here in detail.

This is what has been called the appraisal panel system.

**Try for a balanced development program tailored to the specific needs of each individual.** This will produce much better results than whole-hog commitment to one or two pet methods. Formal training is valuable particularly for those who need to know more about specific managerial skills such as organization, quality control theory, labor relations, budget and personnel administration. The immediate development needs of other individuals may be met at far less cost in time and money through membership in professional societies, attending conferences and technical meetings at company expense, accepting public speaking engagements, or even by reading a few good books at home.

Job rotation is sometimes useful in broadening the vision of an executive who has already proved his ability in one kind of job, but it can be an expensive process and comparable results can often be achieved by much simpler means, such as committee assignments. Watching a competent senior executive in action may be the best possible way for a bright young man to master some of the finer arts of management, such as human relations.

But you don't have to set up special positions labeled understudy jobs. This kind of skill is best transmitted from one generation to another as part of a constant over-all coaching operation conducted by all executives

for all of their assistants who are both willing and able to profit from it.

Don't think of executive development solely in terms of new knowledge to be acquired, or skills to be sharpened. An executive's character is at least as important to his company as his ability. Courage, integrity, a sense of honor, a mature sense of values—these are things that can't be learned in a cram course. In your over-all thinking about executive development it is wise to bear in mind that the real growth needs of some men may call for a broad exposure to some of the rich treasures of our cultural heritage—literature, music, art, philosophy and religion. One big company attaches so much importance to this kind of development that it sends key men through a 10-month liberal arts course at an Ivy League university.

"The important thing," Mr. Randall concludes, "is to remember that executive development is more a state of mind than a set of procedures. It is a long-range operation, in which the goal is continued stimulated growth over the entire career of each executive.

It will work only in an organization whose top management is thorough-





ly convinced of its importance. It would be far better for an unconvinced company to forget all about executive development than to climb on the bandwagon with a paper program that will produce not initiative but cynicism among its executives."

## Helping men grow

The appraisal panel system is a currently popular method for selecting and training executives.

Many corporations and government agencies use it to pick out potential managers and guide them in self-development programs aimed at improving both their present job performance and their future promotability. (Some companies which use this system call it "appraisal counseling;" others prefer the term "group appraisal.")

Although details vary from one organization to another, this is essentially how an appraisal system works:

First step is to determine which executives will be covered. It is usually wise to start out modestly, confining the program initially to the top few echelons of management. Later, after the company has gained experience, it can be extended farther down into the supervisory ranks.

A separate appraisal panel is set up for each individual whose performance, potential and development needs are to be weighed. The panel should be composed of a man's immediate supervisor and at least two other executives who have some knowledge of his work. These executives should be on the same level as the supervisor who heads the panel.

Some companies allow the man being appraised to choose one or more members of his panel. This tends to reassure him that he will be judged fairly. Any temptation to load the panel with noncritical friends is supposed to be offset by his realization that, in the long run, he is the one who will suffer. If his weak points are not brought to light, no developmental opportunities will be made available.

Let's follow John Jones, a mythical advertising director, through a typical appraisal panel process.

His chief, Mr. Smith, calls the panel to meet at 3 p.m., Tuesday in his office. (It is important that panel meetings be definitely scheduled and that no other business be transacted at them; this is to forestall the tendency of busy executives to conduct appraisals in the locker room at the golf club or at the tag end of a board meeting.)

Mr. Smith comes to the meeting armed with an up-to-date personnel folder on Mr. Jones. It should include a detailed description of his assigned duties. Some companies think it is a good idea to invite Mr. Jones to submit documents for the folder, such as commendations, production and backlog data on his unit, professional honors he has received, or special training courses he has completed.

The panel reviews the information in the folder and then discusses Mr. Jones' over-all performance record with a view toward pinpointing his outstanding strengths and his significant weaknesses. The entire success of the system depends on how conscientious the panel members are about being fair, penetrating and candid. They should bear in mind that they are not at this time debating whether Mr. Jones should have a raise, or even whether he is now ready for promotion, but how he can be helped to become a better executive.

The panel winds up its discussion by making specific recommendations on two points: assignments that might be made to capitalize on Mr. Jones' strengths, and a developmental program to correct his weaknesses.

The next step is called the review stage. This is where Mr. Smith goes to his supervisor and outlines the findings and recommendations of the panel which sat in judgment on Mr. Jones. Some companies eliminate this step, but others have found it a valuable means for keeping top man-

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## **YOU CAN HELP MANAGERS GROW**

*continued*

agement informed about what is going on two echelons down. It also insures that the mature wisdom of senior executives will help to shape Mr. Jones' preparation for future responsibility.

When Mr. Smith's boss has approved the panel's recommendations (with or without revision), he calls Mr. Jones into his office for a counseling session. Mr. Smith's skill at human relations is now put to the test. His task is to get across to Mr. Jones the fact that the company regards him as a valuable employee, and that it wants to help him develop his fullest potential.

If Mr. Jones feels that he is merely being called on the carpet to be criticized for his shortcomings, his reaction to the self-development suggestions will be largely negative. The trick is to get him to enter wholeheartedly into the spirit of the appraisal, first by encouraging him to analyze his own strengths and weaknesses, and then by leading him to see the value of a sympathetic but objective view from above.

The final step is to carry out the development program recommended by the panel. Much of it will probably be up to Mr. Jones to accomplish on his own initiative. But Mr. Smith should take care that the company demonstrates its own sincerity by moving promptly on any recommendation—such as a committee assignment or job rotation—which depends on company action.

How frequently the appraisal is repeated is up to each company, but many authorities recommend at least once each year. The important thing is that it be repeated at scheduled intervals, since appraisal, like all other aspects of executive development, is not a one-shot proposition but a continuing process.

Some of the advantages claimed for the appraisal panel system are that it requires no new machinery. It can be integrated readily into any organizational structure. It is relatively inexpensive to operate. It has a high acceptance among line officials since it helps them do one of their important jobs. It often leads to better supervisor-employee relationships, and it strengthens communications within an organization.

If the program is sprung on executives as a surprise, without full explanation of its purposes and procedures, it may well generate much suspicion and damage morale. But this pitfall is easy to avoid by proper preparation, which should include active participation by the affected executives in planning the move.

The chief complaint against appraisal panels is that they take up too much of the top executives' time. Mr. Randall has a ready answer for this one:

*"A management that isn't willing to devote two or three per cent of its time to the job of appraising its most important resource shouldn't be playing around with executive development programs anyway."*—LOUIS CASSELS.



**REPRINTS** of "You Can Help Managers Grow" may be obtained for 10 cents a copy or \$7.50 per 100 postpaid, from Nation's Business, 1615 H Street N.W., Washington 6, D.C.





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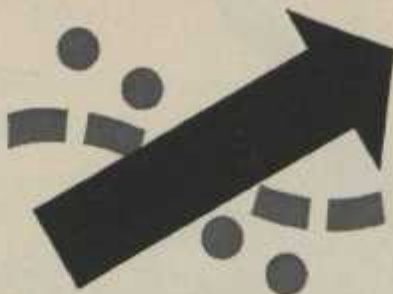
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## NEW FORCE

*continued from page 33*



better and better equipped to judge their markets. Some firms of modest size have 80 or more economists and market analysts advising them on market prospects and on their penetration of the market. Some large firms are even more adequately equipped. So errors of the sort made in the 1920's and 1930's are far less common, though not unknown.

However, the chances that a significant proportion of all industries, each only a small proportion of the total economy, will—despite their improving intelligence services—misjudge their markets so seriously as to cause major economic difficulties seems to be decreasing.

This is due not only to the great diversity of industries, but also to the interest of consumers in increasing their standard of living and their ability to increase their standards by diversifying their purchases.

The studies of the University of Michigan Survey Research Center, made for the Federal Reserve Board, as well as for industrial and financial concerns, have shown that as consumers' standards rise, their desire to raise them still further has become stronger rather than weaker. So, if automobiles are oversold in one year, consumers are likely to be willing in the next year to use the money not spent for automobiles to buy other goods.

Even though retail sales of automobiles dropped sharply in 1956, total retail sales did not drop. Sales of furniture and other consumer durable goods rose. Sales of nondurables rose three times as much as the sales of durables dropped. Outlays for services also rose three times as much as durable goods sales declined. Total consumer expenditures in the second quarter of 1956 were up at an annual rate of nearly \$12 billion from the comparable quarter of 1955, despite a drop of \$2 billion in automobile sales.

This propensity of consumers to spend may be something of a new development. Dr. George Katona of the University of Michigan, in his recently published book *Consumer*

*Expectations, 1953-1956*, reports that most consumers felt in 1954 that the country was basically sound, and, while a few people were out of work, the chances that any particular employee would lose much work were felt to be very slight.

"The majority," he writes, "soon discounted the dire predictions and reacted with a fresh outburst of optimism. Price stability and the opportunity to make 'good buys' helped to transform desires . . . into effective demand."

Dr. Katona points out that this effective demand was made possible in part by incomes, liquid assets, and credit, but the point remains that consumers did not get discouraged because business as a whole fell off. On a seasonally adjusted basis, their expenditures rose in three of the four quarters of 1953, and in every quarter of 1954. They continued to buy during the recession, and to shift their purchases so as to take advantage of better prices, and to balance out their personal inventories of durable and nondurable goods.

This would not have been possible a century ago, and would have been difficult 50 years ago. When relatively few industries dominated the economy, declines in these industries meant layoffs for a higher proportion of workers. Without unemployment compensation, or large savings, prompt retrenchment would be necessary for a much larger proportion of all families than was experienced in 1949-1950 or 1953-1954.

This diversity therefore provides sources of support to the economy when some of the consumption, production, construction, transportation, distribution, or service segments show signs of weakness.

These signs of weakness themselves, however, should not always be taken as evidence of ill health. They are more often the method by which our economy becomes stronger.

Certainly not all, and probably very few, businessmen can make perfect plans. They are bound to make mistakes. Sometimes enough will make the same mistake in the same industry to cause trouble for that industry.

For instance, the automobiles produced in 1955 sold more rapidly under the conditions prevailing in that year than those produced in 1956. Automobile sales are a function, among other things, of the existing automobile population, crowding on the highways, prices, availability and terms of credit, absolute and relative incomes, and their distribution, and competition of other commodities. Industry misjudged some of these factors and may have pro-



how to judge a fluorescent lamp . . . point no.

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## NEW FORCE

continued

vided some overemployment in 1955 and, conversely, some underemployment in 1956.

Similarly, housing starts in 1956 are 20 per cent below what they were at the beginning of 1955. Part of this is the result of tighter credit terms. Another part of this decline is the result of misjudging the market. About 30 per cent of the increase in the number of households in the past five years apparently has occurred among those with incomes above \$7,500 per year, but about 35 per cent of the houses built in 1955, and apparently 45 per cent of those built in 1956, were built to sell for more than \$15,000, according to studies by the Department of Labor. Something like 70 per cent of the increase in the number of households was represented by families with incomes below \$7,500, but only about 65 per cent of the housing in 1955—and possibly not more than 55 per cent in 1956—was built for this group.

The way the industry learns it has made mistakes is by discovering that people are not buying what it is producing in the quantity that is produced and under the terms for which it is offered for sale. The automobile industry will be more alert in its production and its distribution policies in 1957 than it was in 1956. The housing industry, being less well organized, may learn more slowly, but it, too, will learn to adjust to the market.

The automobile and the housing produced in 1957 therefore should be better geared to the economy and to the desires of consumers.

This is a relatively cheap way of learning how to match supply and demand. It is being improved year by year with improved economic and market analysis tools. Even though it does mean some waste, it still is much better than any forced draft method of keeping all industries going at full blast at all times.

If housing credit terms were to be eased to the point at which all houses produced would be sold, there would be no incentive for builders to build what people really want, nor would they learn what people really want.

In 1949 they were building houses too small for many of their customers. In 1956 they may have been building houses too expensive for a portion of their customers.

Builders learned their mistake of 1949 very promptly. There is no doubt they will learn their mistakes of 1956 promptly and at less expense to the economy than would be caused by a forced draft resulting from ad-

justing of credit terms rather than through adjusting housing itself to what people want.

All successful life has mechanisms for adjustment. If a person works so vigorously that he raises his body temperature appreciably above a safe limit, such as 98.6 degrees, the capillaries near the skin open and a higher than usual proportion of blood reaches the area next to the skin. This permits radiation of unneeded heat. If still more radiation is necessary, sweat glands go into operation and other automatic processes start.

In one respect this is a waste. Food which could have been turned into physical or mental work is now used for dissipating heat. Yet this is a far less waste than would occur if fever burned the body.

Similarly, failures of particular industries to adapt their production and distribution policies perfectly to what people want is handled by the automatic function of the market. There is waste in this, but it does tell industrial leaders what the economy really will take.

As long as only two or three major industries are having to adjust at any given time, the economy can prosper and the materials and labor which the adjustment in these few industries releases can be absorbed in part or entirely by other industries.

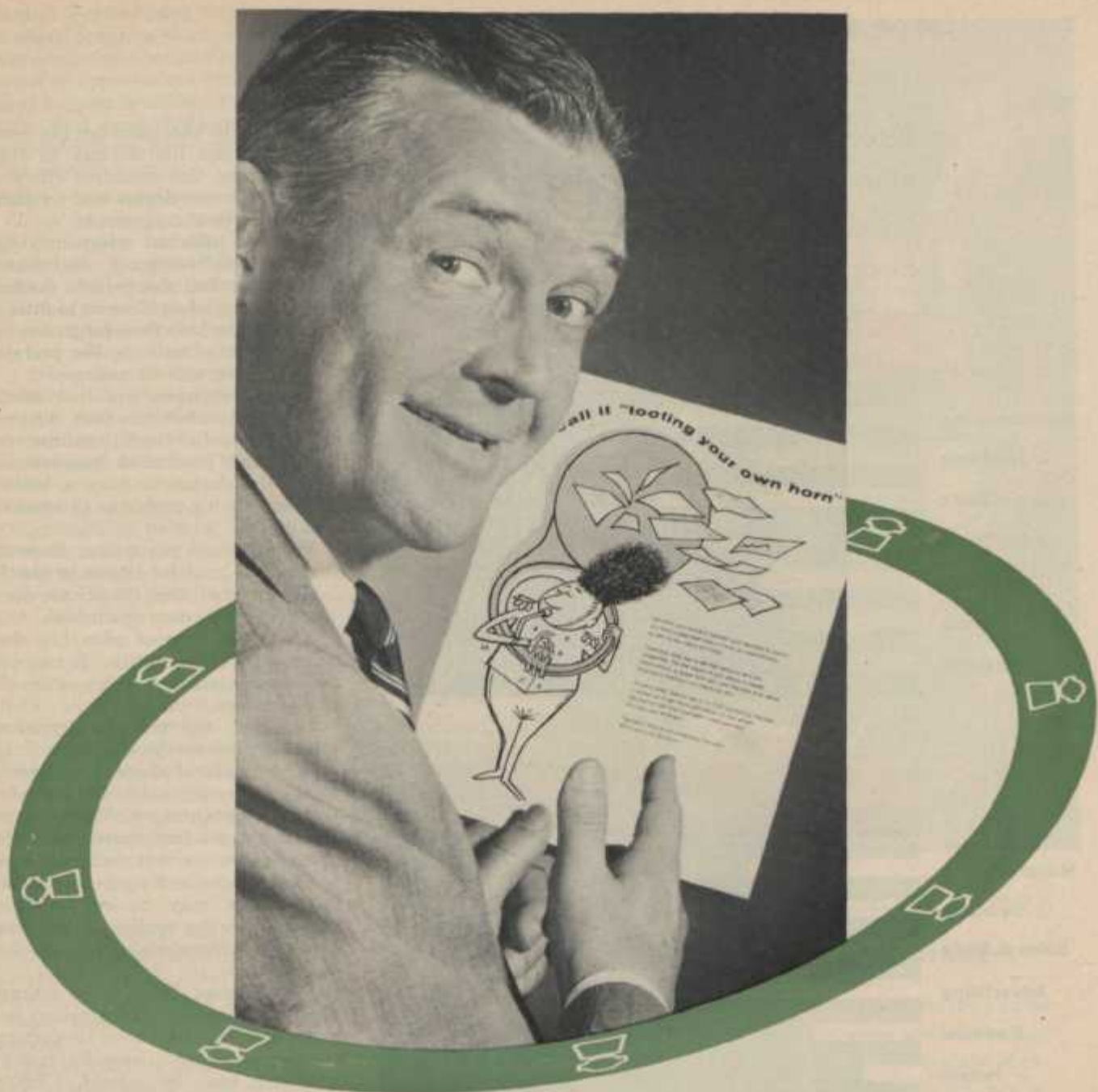
This suggests that if the economy is to prosper as a whole, a continuous series of minor adjustments is a sign not that the economy is in bad shape or that the economy is not growing as it should, but rather that the economy is making necessary adjustments and growing in a healthy fashion.

Some economists were much perturbed in the spring of 1956 because automobile production and housing starts both dropped, while agriculture, too, was in a relatively weak position. They should have been pleased that these adjustments were being made while the economy as a whole was at a high level, for this meant that necessary and healthy adjustments could be made without triggering dangerous reactions.

It means too that 1957 and succeeding years will see a healthier economy—an economy which can absorb adjustments in other areas because the housing, automobile and the farm markets will be in better shape than they would have been without the adjustments of 1956. Housing, automobiles, and agriculture should help the economy weather minor adjustments in other segments in 1957 or later years, because they were going through their needed adjustments in 1956.

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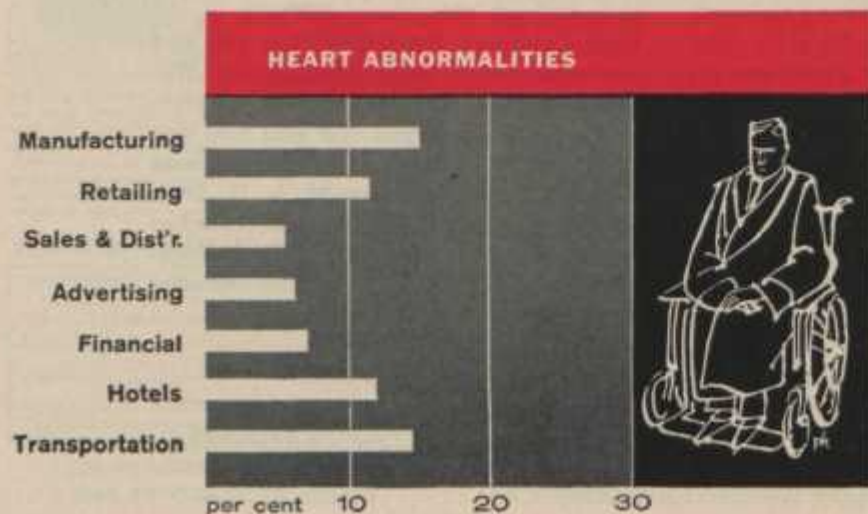
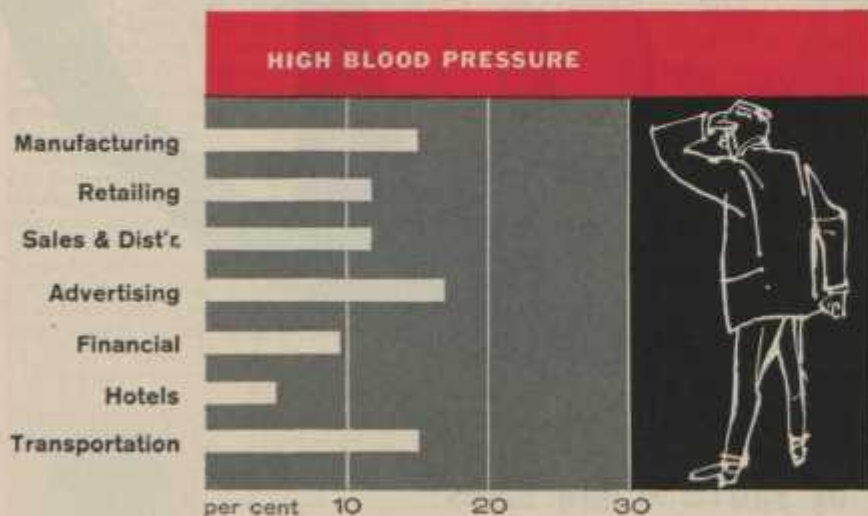
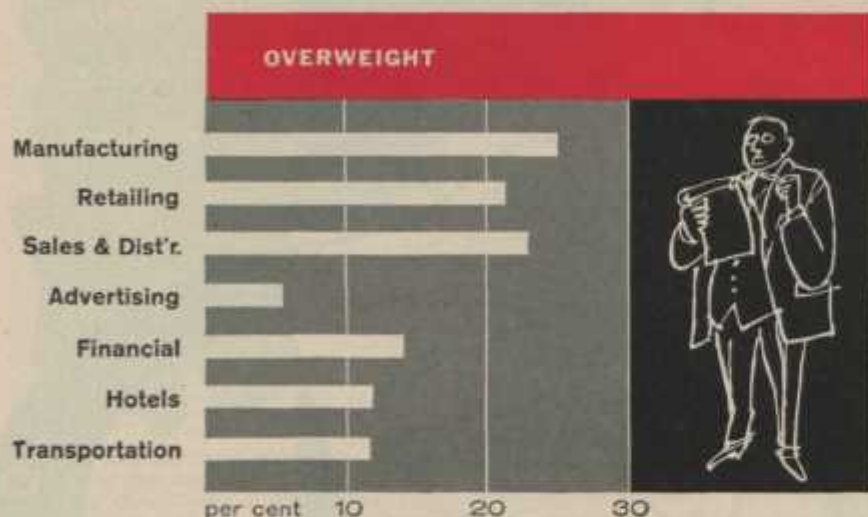
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panies let the executive use his own doctor. Some list doctors in the area and let the executive choose. Others pick one doctor and let him handle all the arrangements.

Such an informal set-up may be best for a small company. And many large firms find the private doctor their best bet when it comes to fitting branch offices into their programs.

In special situations, the private doctor has certain advantages.

Many companies feel that when the executive has his own doctor, the doctor-patient relationships are better, and continued associations allow the doctor to have a better insight into his problems of tension and stress.

With private physicians, there is no need to hunt for clinics or check laboratory facilities; the private doctors have their own equipment.

Also, this type of plan has the advantage of flexibility. It can be used in conjunction with any or all of the others.

However, the private physician plan also has its drawbacks.

Where several doctors are used, the executive is usually left to make his own appointments. Then things sometimes get haphazard and it is often hard to see that each man gets around to his check-up as he should. Also, there may be considerable variation in the quality of facilities and the comprehensiveness of the examination.

Furthermore, there is no central clearing house for examination reports and thus the over-all picture of the company's specific health problems may be missed. Clinics and hospitals, on the other hand, are very quick to recognize trends and if, for example, many cases of stress and strain should turn up, the clinic might advise a firm that there is something within its own organization that needs looking into.

### Hospitals and clinics

A wide range of outside facilities is available to firms which don't have medical departments and don't wish to use private facilities. As a matter of fact, the advantages of these agencies have led many firms to by-pass their own medical departments.

First, the equipment that is available through hospitals and clinics is likely to be superior.

Second, a program entirely divorced from the company assures the highest degree of privacy—always highly desirable, not to say



essential. Furthermore, turning over the whole program to an agency reduces administrative headaches. The routine of appointment-making and record-keeping is taken off company hands. And sometimes reminders of appointments are more easily made by an outside agency.

**Hospital—pros and cons**—The plus or minus factors of a local hospital depend largely on the hospital. Usually, the X-ray and laboratory facilities of the larger hospitals will be of the very finest. But a local hospital may be so heavily burdened with bed patients that participation in a preventive health program is impossible. Some hospitals can take care of a limited number of executive check-up plans if they are run on an out-patient basis. This may be an even better bet because some executives object to going to hospitals for examinations because of the inference that they are ill.

Columbia-Presbyterian Medical Center in New York, which conducts executive examinations for General Motors among others, provides a typical, compact but comprehensive run-through on an out-patient basis. A Medical Center secretary books a single morning's appointments for a careful history, physical examination, blood tests, X-rays and electrocardiogram. Further specialized tests are scheduled only if they are necessary. Later, when all reports are in, an appointment is made for a leisurely counseling session.

**Medical schools**—If local hospitals can offer no help, local colleges or universities may be able to do so. Educational institutions are going in more and more for industrial medicine.

Through the University of Pittsburgh, an excellent program is made available to business in that locality. Moreover, the medical department keeps a continuing record of the men it examines, thereby compiling a useful study on the cause and prevention of ailments that put executives out of the running.

Similar programs are also conducted by the medical schools of Harvard, the University of Chicago, the University of Pennsylvania, the University of Michigan and others. Such agencies employ the latest in clinical and scientific procedures.

**Private clinics**—Since World War II, the private diagnostic clinic has grown rapidly. It devotes itself entirely to preventive medicine, with particular emphasis upon physical examinations, diagnosis and medical research.

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## HEALTH

*continued*

ized 40 years ago with Ex-President William Howard Taft as chairman of its board of directors, Life Extension first devoted its efforts entirely to life insurance examinations. Under its various programs, 2.5 million persons have been examined. During the past five years, however, it has been serving a rapidly growing number of industries.

Life Extension offers three types of service, varying in extent according to the needs of the client company. Through 3,000 physicians retained on a fee basis throughout the United States, the company can give medical service to any firm no matter where it is situated. This simplifies the coverage of branch and out-of-town plants.

The examiners use standard forms developed through experience, which are interpreted at headquarters. This procedure reduces the variations in analysis of the medical findings.

A new clinic of the same type, Health Research Center, of Chicago, though organized only two years ago, is already serving 60 firms of all sizes. One of its main attractions is the fact that it schedules a comprehensive examination, including X-ray, laboratory tests and electrocardiogram, all within a six-hour period.

Probably the most widely publicized of all the private clinics is The Greenbrier, at White Sulphur Springs, W. Va., which offers a three-day program of examination, combined with relaxation and sports. Last year, more than 2,000 executives went there for examinations, usually held in the morning and followed by an afternoon of golf or some other form of recreation. The entire stay is considered a vacation and trips to Greenbrier or similar institutions are being increasingly offered by companies as an added form of fringe benefit. All or part of the costs are deductible.

Growth of such clinics has been amazingly rapid ever since World War II and is usually taken as an indication of increasing corporate interest in executive health programs throughout the country.

Life Extension Examiners had 26 companies in 1946; today it has 300. During the same period, the Mayo Clinic's list of companies grew from 26 to 129. The Greenbrier Clinic had 14 client companies in 1950; today it has 65.

Advantages of such clinics are many, in terms of equipment, experience and know-how.

In health examinations conducted

over a long period, these clinicians find that the incidence of spectacular findings such as cancer and tuberculosis is amazingly small. The detection, however, of the more prosaic early high blood pressure, overweight, sugar in urine and consideration of excessive smoking, inadequate rest and exercise and dietary deficiencies, they say, is staggeringly significant. A careful evaluation of these relatively minor defects and correction of habits is one of the more useful functions of the periodic health examination. And experience in interpreting the danger signs is one of the things that makes the specialized clinic so valuable both to executive and employer.

Few figures are available on the use which industry is making of such outside agencies in comparison with company facilities. One survey of 120 firms using such health plans, conducted by the National Industrial Conference Board last year, showed that 62 firms employed outside agencies and 58 utilized company doctors. Of those using company doctors, about half let the executives substitute their own doctor if they wish.

Three-fourths of the 120 firms make their plans voluntary, but even so, the majority report more than 90 per cent participation.

### A tailor-made program

Once a company has decided on a health program, a good practice is to appoint one competent top executive to make a survey and report his recommendations on a fixed date. He can obtain information from the company medical director, competent local physicians, the industrial health committee of the local medical society, local hospitals and medical schools and the American Medical Association in Chicago. Private clinics will usually send a representative to discuss a contemplated program.

Regardless of outside advice, however, the internal structure and the nature of a company as well as certain practical considerations will direct the shaping of the program.

**Cost**—One of these practical considerations is cost. This will vary from company to company but certain averages have cropped up in so many programs that they may be taken as a rough guide:

PROGRAM	COST PER EXECUTIVE
Company-handled	\$ 10 to \$ 30
Private physician	\$ 25 to \$ 75
Clinics	\$ 30 to \$175
Resort type	\$175 to \$300 plus

These figures do not take into account travel expenses, salaries for



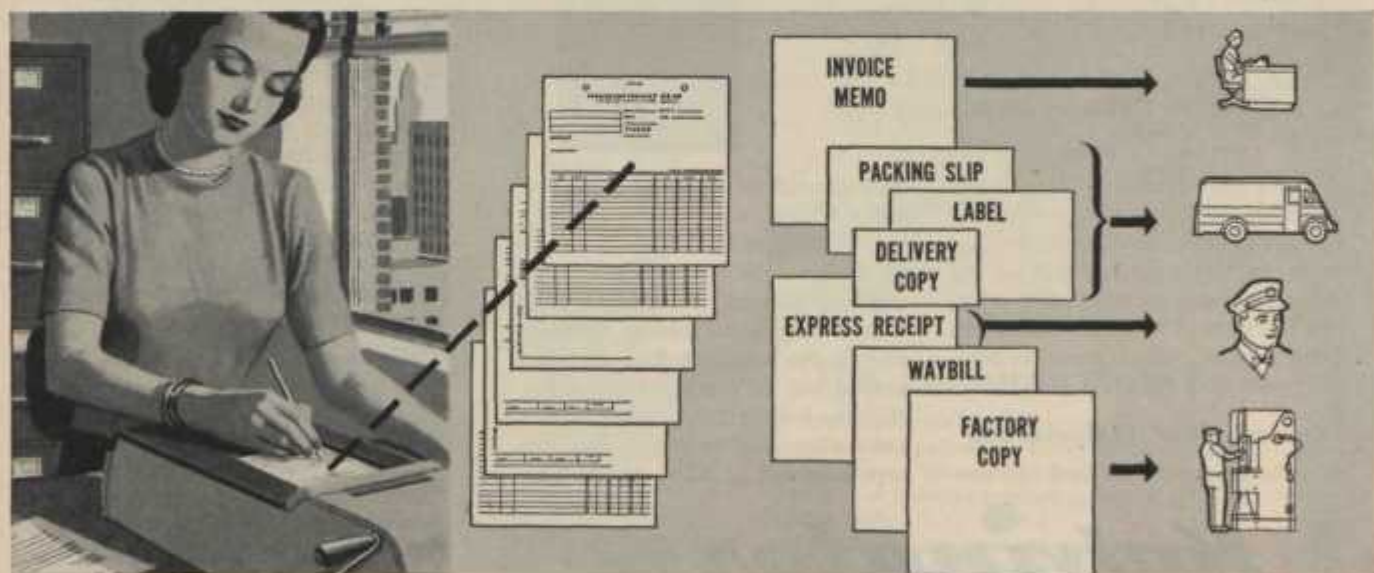
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## HEALTH

continued

the time spent off the job or administrative expenses of the program. They are merely estimates on the examination itself.

A program can be set up so that only the executives more than 45 years old will be given the complete examination, with certain items omitted for the younger men. But rather than sacrifice any part of the procedure, some companies space the examinations at less frequent intervals for the younger men:

30-40 years . . . . . every two years

40-55 years . . . . . every 18 months

55-65 years . . . . . every year

If possible, however, experience has shown that it is best to give everybody a check-up each year.

**Executive coverage**—Some firms decide which executives to include on the basis of age, some on the basis of rank, some on the basis of salary. Many limit their programs to executives more than 40. But statistics show that most health difficulties get their start between the ages of 30 and 40. Defects discovered at these ages are correctable with less trouble and cost.

Some firms find it best to set up no age limitations but base participation on management levels. A survey of firms in New York with health plans showed that 38 per cent provided coverage that included non-supervisory personnel; 48 per cent included first-line supervisors and 86 per cent extended coverage to middle management.

**Company opinion**—Some firms have hesitated at first to set up a health program for executives for fear of criticism from the rank and file. However, closer examination of the subject reveals that health programs are nothing more than an extension of what the rank and file has been enjoying for years in another form. Workmen's compensation laws, group insurance plans, company medical departments, and industrial medicine as a whole—all these have been designed for the man at the machine.

## Health plan administration

If a health program is to succeed, it must not only provide the right medical facilities for the situation but it must also have the enthusiastic cooperation of the men it covers.

Although some companies report success with mandatory programs, most experienced doctors and clinicians recommend that check-ups be



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## HEALTH

*continued*

offered on a voluntary basis. The average participation in voluntary plans is well over 90 per cent. In some of the older plans, it is close to 100 per cent. Since cooperation of the men involved can be so valuable, skillful administration of the plan is important from the moment of its presentation.

Experience has indicated that executives are reluctant to participate because of:

- ▶ Apprehensions about the examination itself.
- ▶ Fear lest any disabilities disclosed may hinder advancement.
- ▶ Misunderstanding of management motives.
- ▶ Unwillingness to take the necessary time and trouble.

Therefore, to dispel anxieties and to keep misunderstandings from developing, most experienced companies recommend that the plan should be announced by the active head of the business and contain information on the following points:

- a. Objectives of the plan, both for the company and the executive.
- b. The thinking behind the plan.
- c. Voluntary or mandatory features of the program.
- d. Precise descriptions of the examinations.
- e. The confidential nature of the results.
- f. Definition of the administering agency.

In reports on success of the voluntary plans, the only falling off of cooperation was reported where results were not kept confidential. Therefore experienced companies suggest that all possible care be taken to insure the confidential handling of results, whether a plan is company-handled, or run by an outside agency. In the latter event, they advise against sending medical reports to the personnel director or even the president of the company himself. The most successful plans provide that reports on examinations go only to the executive and to his personal physician, if the executive so desires.

No rule can cover all situations. The wisest procedure, it seems, is to have the examining doctor discuss the situation with the executive and to try to convince him of the desirability of stating the facts to his superior, if there is any impairment of health. Another possibility is to inform the executive's physician and leave the counseling to him.

In any event, experience shows it should be left to the executive to de-



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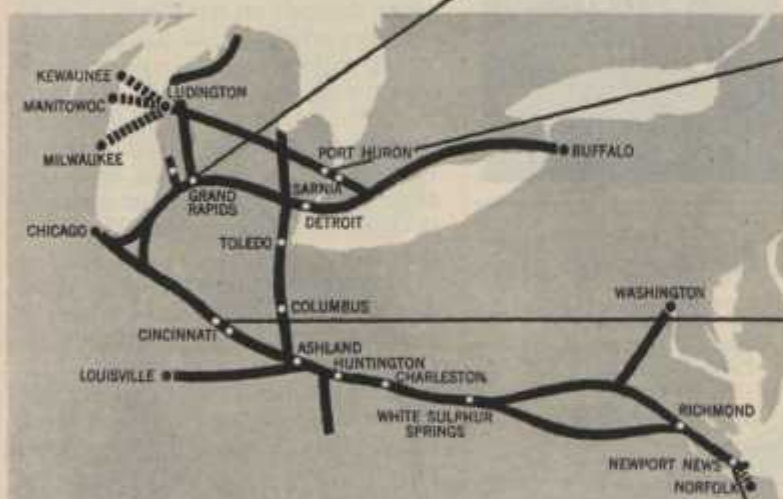
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## HEALTH

*continued*

cide when and how to pass the significant information developed by the examination along to his firm.

A high percentage of companies report that the counseling interview is one of the most valuable features of the program. Most physical defects turn out to be correctable once they are discovered; the tougher problem is how to reduce tension on the job. A chance for corrective action is provided through relaxed discussion of personal problems and sound advice on personal habits at the end of the examinations.

On the question of how to follow up on the examinations, company policies vary. Plans involving a company medical department are more likely to have a follow-up procedure.

The soundest procedure seems to be: Give the executive the best possible analysis and advice on his health; then leave it up to him to carry through on his own.

Given advantage of the best combined experience of both business and medicine working to help him preserve robust personal health, a responsible business executive usually responds by making a conscientious effort to develop and preserve it, both in his own and the company's interests.

The upshot of developments along the new health front has been a growing realization among executives that top management and medical science have handed them the facilities to lay out a long-term, tailor-made plan, based on their own physical and temperamental capabilities.

This plan allows them to realize the optimum work habits, plan the necessary vacations, cut down job stresses and strains and make preparations for retirement. The whole process is conducive to increased peace of mind for the individual as well as higher returns in over-all executive efficiency and stability for the organization itself.

Or as Dr. Johnson puts it:

"It's one of the few places in life where everybody gains—the company, the executive and the man's family. Nobody can say who gains most."

—PHILIP GUSTAFSON

**REPRINTS** of "Stop Worrying About Health" may be obtained for 10 cents a copy or \$7.50 per 100 postpaid, from Nation's Business, 1615 H Street N.W., Washington 6, D.C.



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# 6 steps to executive success

Here's an analysis of basic skills future managers will need to get things done through people

EXECUTIVES of the future will have to learn how to make more effective use of people.

To achieve this, they must learn how to listen.

They must overcome a psychological hurdle which today keeps many successful businessmen from getting the most out of their workers' individual and collective capacity to perform—thus blocking the attainment of even greater success than they now enjoy.

These conclusions were reached after search for the qualities which account for high executive productivity and which set successful managers apart from those who fail, or—more importantly—from those who sputter along at half throttle, often without realizing what their fullest potential actually amounts to.

Analysis of the executive skills of more than 200 officers of large, medium and small-sized companies indicates that the average manager dangerously overestimates his ability to get things done through people.

Since getting things done through people is the most important responsibility of all executives, these findings are disturbing. They point, too, to the necessity for correction if business is to get top performance from its personnel in the fiercely competitive years ahead.

Principal reasons why executives fail to manage more effectively are these:

1. Too many listen only for what they want to hear.
2. Too many fail to create a genuinely permissive atmosphere in which the subordinate feels free to express himself frankly and completely.
3. Too many fail to recognize that their real strength rests not in themselves but in the people they manage.
4. Too many permit distractions, petty irritations and prejudices to divert them from the main track in the discussion of business problems with their associates and subordinates.
5. Too many fail to recognize the need for getting an employee's complete participation.
6. Too many pay only lip service to the principle of two-way communication.

If your first impulse is to question whether any or all of these six faults apply to you, you are in good company. The more than 200 executives whose skills were analyzed by the American Management Association in this unique survey felt the same way before their training course at AMA began. The executives didn't have to go very far into the course, however, before most of them were ready to plead guilty to one or more of the charges.

The reason for their change in attitude is a simple one. The association uses a classroom technique called role-playing, a device which affords the executive-turned-student an opportunity to step outside himself, so to speak, and to look with cold detachment on his own behavior as a manager. In role-playing, two or more executives will trade places with each other, ordinarily in a simulated employer-employee relationship.

The results are startling. Executives who have long thought themselves to be open-minded and democratic with their subordinates discover for the first time that they are just the opposite—autocratic and inflexible. Men who had imagined themselves to be veritable wizards at drawing the best ideas from people find that they aren't really receptive to other's ideas at all, but are attempting to make things go solely on the fuel of their own egos.

The casebook is crowded with examples.

Typical is the case of a chief engineer from a machine tool firm in Ohio. Like so many others, he had cold water dashed on his notion that he was getting the maximum mileage out of his relationships on the job. Once he saw the light, he became a true believer in role-playing. He had a chance to put it to use in his own company when a high quit rate among technicians was traced to a hard-to-live-with tool design supervisor.

The chief engineer placed the supervisor in the role of one of his own subordinates and made him taste some of the abuse he had been dishing out. For the first time the supervisor realized how antagonistic he had been. He changed his pattern of behavior accordingly and within three months the quit rate ceased to be a problem. Harmony returned to the shop.

Harold B. Schmidhauser, director of AMA's executive action course, maintains that the top man on the executive totem pole usually is the hardest one to reform if he has been guilty of the six sins of ineffective executive action.

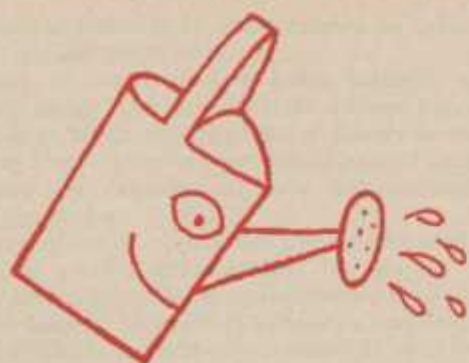
If a conversion can be effected at the top, however, it works like a charm all down the line.

The fundamentals involved in getting things done through people apply to all businesses—regardless of their size. Cases involving corporations with 900,000 employees are not dissimilar to cases involving firms with nine employees. The only difference noted is in the volume of problems.



Essential skill





## Executive function

Here, point by point, are the factors which impede effective executive action—along with some hints on how to identify these factors in your own behavior, and what to do if you find yourself guilty on any of the counts:

### 1. *The executive who listens only for what he wants to hear*

This is a fairly common fault of executives, particularly those near the top, where accountability to a superior or superiors is not as keenly felt as it is, for example, in middle or junior management.

The offender generally is a man of drive, dynamism, one who likes to see things happen. He's a man who has great self-confidence, self-assurance.

There is nothing wrong with these qualities, of course, and indeed few men could rise very high without them. But they are an asset which can become a debit if they produce, as they sometimes do, an excess of self-reliance.

In today's complex business world, no one man can push a company forward to success solely on his own momentum. Yet some try to do just that.

That's where listening only for what you want to hear comes in. Instead of genuinely seeking the opinions, counsel and assistance of others, this type of executive will first form a judgment of his own and then, in his contacts with associates and subordinates, seek justification for it. Contrary opinions either go unweighed or become a matter for rebuke, since they run counter to the strongly held judgment already arrived at.

The manager who has fallen into this trap will ultimately find that his is a position of icy loneliness because, step by step, he has removed himself from true contact with those around him. Subordinates who sense that he is listening only for what he wants to hear will, in the end, give him just that. Net result? Creation of a corps of yes men.

The symptoms of this particular executive malady can be detected and curative steps can be taken.

If you do more than half of the talking when in conference with your associates and subordinates, it's a good bet that you fall into this category. Next time a decision has to be made in your firm delay making it yourself until you have considered these questions.

1. Am I making the decision completely on my own?

2. Am I really interested in getting the advice or suggestions of those on my staff?

3. Do I make the decision first, order it into execution, and then ask for staff advice?

If your answer to the first question is yes, there is danger. Few executives have the knowledge, skill and information to make major decisions without recourse to counsel.

Furthermore, those who refuse to seek counsel run two important risks. One is failure to provide young men an opportunity to cultivate the ability to make decisions. Judgment is not the creation of a wand. It is a result of experience. To be adequately skilled in decision making, subordinates must be given a chance to learn by doing.

Another important risk is damage to morale. Executives who do not provide associates and subordinates the opportunity to express their creative thinking will



## Fertile brain

soon find that poor morale, the inevitable result, will douse the spark of creative ability.

A good rule to follow is this: On major decisions, seek counsel before deciding.

Questions two and three are a bit more difficult to answer. They involve subtle shades of personality—factors which the individual executive may not realize are present in his own make-up. Here a deliberate self analysis may be in order. Such an analysis should take place before an executive takes any decision already reached in his own mind before a conference of his subordinates. To do otherwise is to make such conferences a sham, one in which approbation, rather than true opinion, is sought.

A rule to follow here is this: If you have reached a decision of your own and that decision is irrevocable—in your own mind—then use the conference only to solicit the advice of subordinates on how best to implement that decision.

### 2. *The permissive atmosphere*

Here the ground rules of communication between executives and their subordinates are brought sharply into focus.



# 6 steps to executive success *continued*

The permissive atmosphere is one in which the executive makes clear to the subordinate that the latter need not feel inhibited in talking freely with superiors. Frankness, honesty of opinion, forthrightness are the key words. They are qualities which the executive should strive to instill into his own behavior and that of subordinates.

A gauge of permissiveness is the amount of criticism an executive will permit a subordinate to express. The ability to take criticism from subordinates is essential—provided, of course, that such expressions are kept within reasonable bounds.

Here are some check points:

1. Am I quick to lose my temper when a subordinate questions a particular decision which I have made?
2. How much criticism of my own behavior will I tolerate from those I work with and those whose work I supervise?

A low boiling point is an indication that true permissiveness is not present.

Another sign of trouble: The executive who will tolerate no criticism of the way he handles workers.

The point here is that the executive cannot be assured of getting the honest opinions of his subordinates unless he makes it clear to them that he is willing to place no obstacles in the path of expression. The inhibited worker is not a complete worker. He gives, at best, only a fraction of his thinking and loyalty.

The boss still is boss, of course, and because of that reason should enter into the determination of permissiveness. Rank insubordination cannot be tolerated, but it is better for the executive to hear things from time to time that will make him blush or wince than not to get the true feelings of employees.

The subordinate should be assured by executive be-



havior that if he does express his complete thinking on any given subject he will not be placing his job in jeopardy—that his boss has an open mind.

## 3. *The source of an executive's real strength*

This touches the most important element in effective executive action—the recognition that people are the most valuable asset of any organization, that people have brains, and that these brains are the most productive things in the organization; that the biggest job the executive has is the development of an atmosphere in which these brains can work.

The importance of people in the scheme of things will be even more pronounced in the future as business places increasing dependence on such mechanical and scientific aids as electronic computers, research, and other complex techniques.

Machines alone will never make a business successful. The contribution of people, the feelings and ideas of people, the individual drives, anxieties, hostilities and group forces still are the most important consideration.

The robot itself produces nothing unless a person feeds information into it. Information can only be gleaned through the feelings and ideas of people.

The day of the I-am-boss executive definitely is past. Basic findings of the research centers make it plain that tomorrow's executive will be more a coordinator and motivator than a boss in the old-fashioned, order-flinging sense of the word.

Here is a good pattern to follow if you are responsible for leading groups in a work situation:

- ▶ Set group goals with the group.
- ▶ Provide the means for the group to reach its goals.
- ▶ Act as a synthesizer; that is, pull together the best ideas of the group.
- ▶ Place your major personal interest in the group.
- ▶ Help members to fit more perfectly into the group.
- ▶ Communicate effectively and perfect your skills.
- ▶ Acquire sensitivity to people.
- ▶ Enlarge your own knowledge and encourage an enlargement of it in others in the group.
- ▶ Measure effectiveness of the steps you have taken.





#### 4. The petty distraction, irritation and prejudice

Effective transmission of ideas cannot be achieved unless the climate permits it.

Too many executives fail to listen intently when in communication with subordinates. They will permit themselves to be interrupted by telephone calls, by questions from a secretary, by unannounced visitors. All of these are enemies of good communication. They are disruptive.

Some executives overcome the purely physical impediments to good communication by having their secretaries turn away calls or callers while they are in conference. Others, in an effort to make a conversation with a subordinate as relaxed as possible, will move from behind their desks when the subordinate enters their office and conduct the conversation from an office lounge, or from special listening chairs.



These are gimmicks that underscore the need for setting the stage for good listening. Obviously, the executive should never show impatience when listening to a subordinate. This is rather easy to detect in your own behavior. Do you drum on the desk? Do you fidget in your chair? Do you look at papers, or shuffle them while an employee is addressing you?

Another peril to effective communication is the petty irritation or sidetrack. Picture a subordinate reporting to Mr. Bigg. The subordinate is trying to explain an idea which, if put into operation, might cut production costs. In the course of his explanation the subordinate might be interrupted.

"Now wait," says Mr. Bigg. "What you don't seem to understand is that...." A lecture follows.

Actually the subordinate may understand fully, but because of the manner of his presentation he has not yet covered his knowledge of the point Mr. Bigg objects to.

Another type of interruption may come when the subordinate uses a term or phrase for which Mr. Bigg has an aversion—such as "I assume—"

Mr. Bigg explodes. "Never assume anything..." Assume, in Mr. Bigg's lexicon, is a bad word. He is good for a 15 minute lecture on it anytime it comes up. His reasons may be well founded, but to interject

a lecture in the course of another discussion is to weaken the direction and purpose of that discussion. A number of such interruptions can weaken a discussion to a point where the original objective can be lost.

Moreover, the employee who brought in what he considered to be a money-saving suggestion has gotten—no matter what Mr. Bigg's decision on the matter may be—a tongue lashing for his trouble. The tongue lashing, not the possible approbation of an idea, is the thing which will make the deepest impression.

Thus are the seeds of inhibition planted. The next time the employee will keep his ideas to himself. As a result, no one gains.

Prejudice works in much the same manner as petty irritations.

When you feel an impulse to lecture either during a conference with an individual or a group of subordinates, don't. You'll find that the conference produces much more fruit. If the urge to lecture is still compelling later on, you can undertake it at a time when nothing else is at issue.

A rule to follow here is this: When a subordinate comes to you to express an idea, hear him out. His idea—or a subsequent one—could be a large factor in improving company profits.

#### 5. Getting full participation

In the growing knowledge of the forces at work in occupational situations involving supervisor and subordinate, the need for getting full participation is coming to the fore as a major consideration.

The key word here is feeling, as opposed to thinking.

Harold Schmidhauser explains it this way:

"Executives need to listen with all five senses. They should cultivate the ability to seek out of a statement or question the inflections and hidden ideas that represent the feelings of a person rather than his rational process.

"It's more important to get to the depths of a person's understanding than his rationalization. We can rationalize anything into being. Our thinking can be subordinated at any time to our motives, but our feelings will not be subordinate in terms of strong inner drives. Recent research points up the validity of this, but industry has been slow to recognize it."

If you enlist the feelings of workers, as well as their thinking, you get a complete contribution to the company effort. Feeling has its source in the emotions, and emotions are the most potent catalyst of action. The executive who taps them and makes them work for him is getting complete participation of his employees.

Attitudes of people depend upon their feeling, their emotions, more than on pure rational processes. Attitude is the biggest obstacle to an acceptance of change. The state of permissiveness is essential to the attainment of the play of feelings.

Here, again, it pays to make a self check. Next time you are in a conference with subordinates make a note of how often ideas contrary to your own are advanced. If they come up rarely, or not at all, you probably have failed to create an atmosphere of permissiveness. For one reason or another, you are getting rationalizations rather than the true feelings of your subordinates.

#### 6. Lip service to communication

Many executives believe they are discharging their debt to communication if they use the externals of communication. These include such things as issuance of notices, publication of company magazines and newspapers, letters, speeches, suggestion systems, and so on. They are the means to an end, not the end in

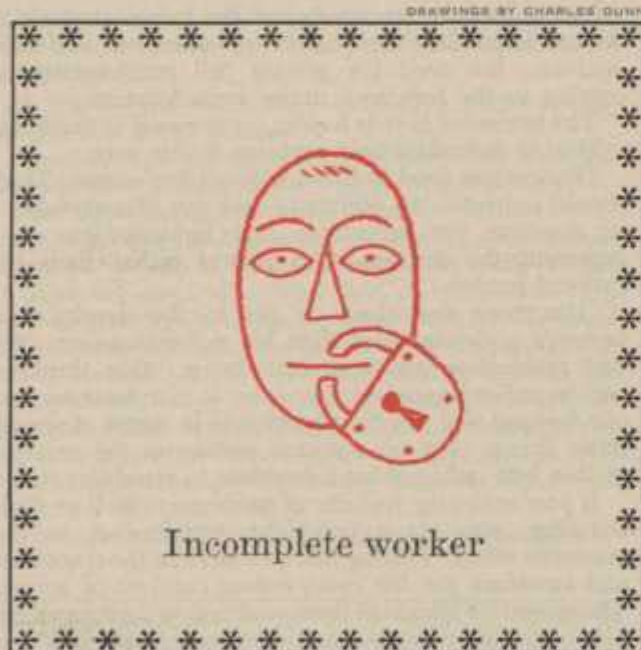


# 6 steps to executive success *continued*

itself. It is on this point that many managers flounder in their effort to get their ideas across to workers—thus to get things done through people.

It is the basic feelings that are involved—not the mere transmission of words—that need to be communicated. This is not to say that skill in letter writing is not a valuable asset to an executive. But it is a secondary asset. Like economic indicators, operating statistics, inventory data and other factors, they are aids to the exercise of judgment.

The need to get at the feelings of people cannot be overemphasized. There is at least one good practical reason why this is so. Feelings, if not allowed to escape, can build up into dangerous pressures. These include anxieties, frustrations, aggressions—forces



which, once created, will eat away at morale and efficiency and produce job dissatisfaction and employee unrest.

An interesting case illustrates this. In a large plant the purchasing agent was confronted with the need for buying brooms to replace old ones.

On the basis of an attractive price—and without consulting those who would have to use the brooms—the purchasing agent bought a large quantity of brooms of a type different from those already in use. When the new brooms were delivered and turned over to shop hands for use, a powerful reaction set in. Maintenance men developed backaches they had never had before. The plant nurse was deluged with requests for liniment. Job absenteeism soared.

In reconstructing the incident it was clear that the purchasing agent's biggest mistake was in overlooking the feelings of people—in this case those who would be pushing the brooms. As a result he engendered ill will and, more important, acquired a product which

caused costly, time-consuming physical complaints. His initial saving on the purchase was wiped out several times over.

To be truly effective, the flow of ideas should transcend fixed lines on an organization chart. There are occasions when it is sheer waste for an assistant in the production department to have to work his way up and down again through the hierarchical maze of corporate structure to get a question answered by someone in the sales division.

Yet this happens today in some of the country's largest companies.

Informal, as well as formal, lines of communication should be encouraged. The door to the executive suite should be open to the rank-and-file employee who has an idea to pass on or a problem to discuss. This insures personal contact—as contrasted with the cold impersonality of a memo, a slip dropped in a suggestion box, or writing on a printed form.

The conference is an extremely useful tool for building the kind of spirit which enables executives to get things done through people. The trend at present is away from the old-fashioned, vertical type of conference, in which someone presides like a teacher and lectures the group. It is toward the free-wheeling, no-holds-barred kind of conference in which discussion is horizontal as well as vertical.

The experience of the Weatherford Oil Tool Company, Inc., of Houston, illustrates the point. Jess E. Hall, Jr., Weatherford's president, saw the need for improving transmission of ideas—and executive effectiveness—in his organization, so he set up a staff Permanent Planning and Review Committee to brainstorm solutions. What emerged was a monthly meeting of top and middle management executives.

"There was little participation at the first meetings," Mr. Hall recalls, "mainly, I guess, because our men didn't know what was going on, or rather, what had come over me."

"Gradually, though, I was able to get over the idea. I told them, 'The point of all this is for you men to run the company, too...I'm convinced that all of us headed in the same direction together will cover more ground toward our goal than if I just sit around telling you what I think should be done.'"

"The idea was hard to get across," Mr. Hall continues. "How do you go about convincing a group that you're a different fellow from the one you were two or three weeks ago? Gradually—and I don't really know precisely what did it—our people got the idea they were expected to get into the act. Once the idea caught on, we really began to roll."

Participation—broad participation—is the ingredient needed to make a conference pay dividends in useful ideas and improved organization spirit. At Weatherford, steps were taken to insure that full participation was achieved. Conference moderators are changed constantly to keep one individual from becoming identified as the group pace-setter. Participants are urged to sound off if they feel one man is hogging the discussion.

Some meetings are even tape recorded and played back so the participants can hear the sometimes devastating results. Loudmouths stand out plainly. Wallflowers are just as obvious. END

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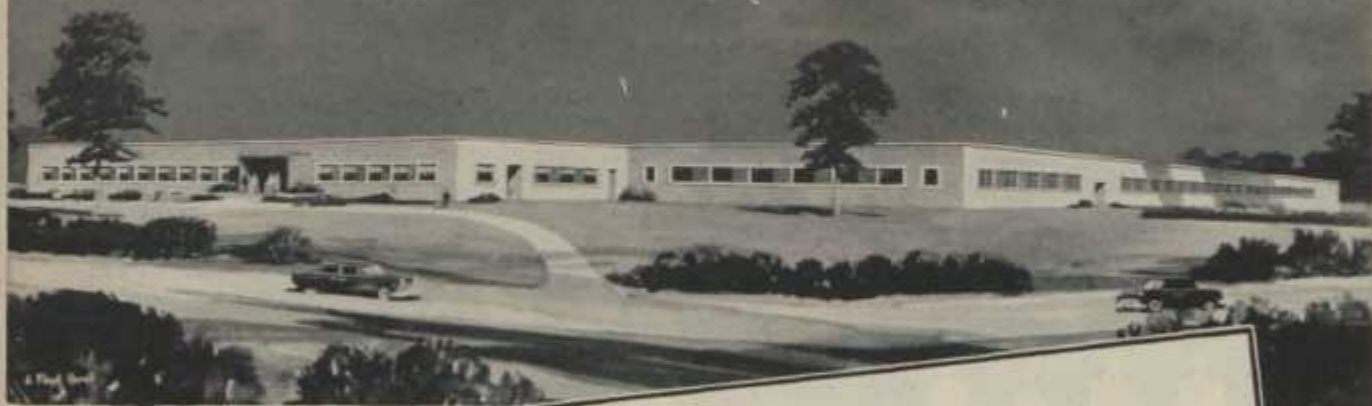
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# General Time Corporation

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TO PRODUCE IN **GEORGIA**



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To Scott Candler,  
Secretary  
Dept. 5



GENERAL TIME CORPORATION  
109 LAFAYETTE STREET, NEW YORK 13, N. Y.

May 1, 1956.

OFFICE OF THE GOVERNMENT

Mr. Scott Candler, Secretary  
Georgia Department of Commerce,  
Atlanta, Georgia.

Dear Mr. Candler:

When General Time Corporation decided some three years ago to establish a new plant, we studied possible locations in every part of the country. Athens, Georgia, was our first choice, and we have never regretted it.

The manufacture of Westclox and Seth Thomas electric timepieces depends upon skilled workers. We have found in Georgia an abundance of the high-caliber people we require. Their eagerness to learn new skills has made it a pleasure to train them. Athens also has other important assets, not the least of which are ample power and good water.

Our relations with fellow members of the community have been most gratifying. General Time employees who moved to Athens have found it one of those rare cities that combine a heritage of dignity and beauty with the progressive, modern American spirit that animates the new South.

Thanks to such advantages as these - and to our steadily increasing sales in the Southeast and elsewhere - we plan not only to stay, but also to expand our operations, in Georgia.

Sincerely yours,

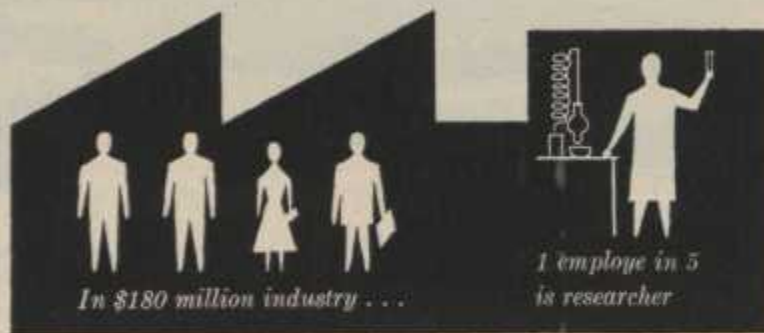
*J. J. Hunt*  
President

**GEORGIA DEPARTMENT OF COMMERCE**  
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# DYES RESEARCH COLORS YOUR FUTURE

New products from industry's laboratories bring changes in wide range of business



THE DYES industry is starting its second hundred years with one out of every five of its U.S. employees in research.

Their discoveries will affect a host of other industries, among them: plastics, fibers, rubber, paints, detergents, refrigerants, insecticides, fuels, explosives, miracle drugs, food, photography, gasoline and rocket motors.

Dyes industry research in recent years has fathered a growing brood of products in the \$8 billion synthetic organic chemistry industry. In its immediate family of products, the comparatively small dyes business is now watching customers use dye-stuffs to:

Identify highways, prevent assembly line errors, guard bank checks, spot faults in metal castings, aid fishermen, trap criminals, and check too frequent blood donating plus brightening clothing and furnishings.

America's 52 dyes manufacturers produced last year roughly 167 million pounds with a value of about \$181 million.

While the offspring—the chemical derivatives of dyes—flourished in the United States, the dyes industry itself scarcely existed here before World War I.

Mauve, the first synthetic dye, was discovered by William Henry Perkin, an 18-year-old chemistry student, in 1856.

Trying to produce synthetic quinine from aniline, he had remained in London after fellow students had left on Easter vacation. As he washed another disappointing black, tarry mass from a beaker with alcohol, he spilled a few drops on the table and wiped them up with his silk handkerchief. The handkerchief promptly turned violet.

Further tests convinced him that he had stumbled on a valuable commercial dye. His convictions led him to establish the world's first synthetic-dye manufacturing plant.

He died in 1907 as Sir William Henry Perkin after attending the Golden Anniversary celebration of his discovery the previous year. Twenty-eight national chemical societies and associations joined in the centennial celebration in New York this year. His name lives on in the Perkin Medal, the highest annual award of the American Chemical Society.

Perkin's mauve was not merely the first of the 2,000-odd man-made dyes which color almost everything we wear or use today; it directed chemical invention for the first time, seriously, toward coal tar and the basic carbon atom—the great building block on which practically all of today's synthetic materials and most miracle medicines are based.

Every new dye formula that is cooked up—and there are thousands of them every year—is tested not

only for its dyeing properties but for its possible bactericidal and viricidal properties. If the formula shows any potential along those lines it is immediately forwarded to a pharmaceutical laboratory for further evaluation.

The first sulfa drug was a product of dye research in Germany and France. Sulfadiazine was developed by dye chemists at the American Cyanamid Co.

So far as dyestuffs themselves are concerned, the industry's optimism for the immediate future is based on the trend toward more colorful clothing and furnishings; on increasing consumer demand for the "vat-colored" label, which connotes the most satisfactory, longest-lasting colors, and on the rapidly growing use of the new "fluorescent whites" in soaps, detergents and paper. Textiles is still the big market, taking around 65 per cent of production, but today about 15 per cent is going to paper and another 15 per cent to inks.

Typical products of research, on which several manufacturers have worked, are new mechanical methods of producing vat dyes of closely controlled particle size. Each dye, the scientists have found through years of research, is most effective when the dye particles are of a particular uniform size, the size differing for each color.

Emphasizing its hopes for vat dyes, the entire industry has just joined in forming a new Vat Dye Institute, in New York, to educate public and trade to the advantages of these superior (and generally more costly) dyes.

The true significance of Perkin's discovery was recognized only in Germany, at first.

By 1914 Germany had a virtual world monopoly on synthetic dyestuffs. At the start of World War I the British naval blockade suddenly choked off trade with Germany, and the American public awoke to the importance of dyestuffs and the medicinals and chemicals that were beginning to flow from them.

That was the jolt that started the American dye industry on the road to independence. In 1914 there were seven small plants, working almost entirely with ingredients imported from Germany, and turning out 7 million pounds of dyestuffs. By 1917 we had 81 plants.

For all of their complexity, dyes are amazingly cheap. For one cent you can color 147 neckties. The dyes in a man's suit cost, on the average, 14 cents; in his shoes, eight cents. The difference between drab gray and brilliant color in a woman's dress is seven cents. The coloring of





## A close look at tight money

### Straight talk about banks and small business

Much of what is being written and said today about small business not getting its share of bank credit fails to square with the record.

Banks are doing their level best to meet the credit needs of small business. There is ample evidence of this.

At Chase Manhattan, for example, commercial and instalment loans in amounts ranging from \$1,000 to \$100,000 made to small business increased 31% in number during the past year.

Current reports from many sections of the country demonstrate that a good percentage of the nation's banks show trends similar to Chase Manhattan's.

This is not to imply that anybody who wants a loan today can walk into a bank and get it.

Money is tight. Right now the demand for credit from banks is bigger than the supply. Borrowers large and small are competing for money. But it's not their size that's really important. What primarily determines whether a business loan will be made is the credit worthiness of the applicant. Bankers are supplying credit to business and commerce for current needs, and figures indicate small businesses are getting their fair share of the money available.

This is the situation today. Back of it there is a simple banking philosophy.

Bankers like to lend money. It's their bread and butter. But sometimes loans have to be turned down. Remember, bankers are not lending their own money. Bank loans are made

from money entrusted to banks by depositors. Therefore bankers must use sound judgment and common sense.

This sums up the general position of commercial banks about loans to small business today. We believe it is a sound position... one that gives everybody in the business community a fair chance at available bank credit.

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- affidavits
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Eaton Paper Corporation, Pittsfield, Mass.

## DYES RESEARCH

*continued*

the felt in a man's hat is an exacting job; it must be precisely toned and must resist fading from sunlight and spotting from rain. That costs the hatter just a quarter of a cent.

In California, they are dyeing roads. Several experimental roads around Los Angeles have new, extremely long-lived green or blue dyes mixed with the concrete. If the experiment works out, color will be used as a traffic director: the green road to Anaheim; the blue route to Santa Monica. Similarly, housing developments of concrete construction are being given a pleasing medley of color.

Aniline oil, made directly from coal tar, is still, as it was for Perkin, the starting point for the majority of dyes. That's why the word "aniline" appears in the company name of so many dye producers. General Aniline & Film Corp., National Aniline & Chemical Co., Ltd., and American Aniline Products, Inc., along with divisions of Du Pont, American Cyanamid and the Swiss firm, Ciba, Ltd., produce most of America's dyestuffs today.

As the source of rubber-curing chemicals that made the pneumatic tire practical, coal tar helped make possible the economies of mass production of automobiles.

Coal tar produces 10 component oils which in turn make 300 intermediate chemicals from which are derived the more than 2,000 dye shades represented in many thousands of brand-name variations.

As many as 1,000 tests may be made on a single dye before it reaches the market. Even then 99 out of 100 fail.

To the dye chemist, dyes are not just colors in the sense that paints are colors. The end result of dyeing depends upon chemical reactions,

some of which involve the chemistry of the cloth or other article being dyed. The color reaction may vary widely not only according to the type of fiber—silk, wool, cotton, rayon or nylon—but between two rayons from different manufacturers. Hence, most commercial dyes are tailor-made for the specific job. The major dye manufacturers maintain large laboratories that do nothing but test and specify for their customers.

The varying reactions of different fibers are, in fact, often depended upon to provide multicolored design or decoration in fabrics with a single dyeing of the finished piece. The pin stripe in a man's suit, for example, shows up as lighter colored because it is woven in with a thread other than wool—usually silk. The familiar jacquard weaves which produce patterns in shades of the same color in carpeting and in automobile and furniture upholstery materials get these patterns from the way in which differing fibers are interwoven; the material is economically dyed in a single dip.

The characteristic color reactions of the various natural and synthetic fibers to certain dyestuffs are used to identify fabric content. When a manufacturer is uncertain of the fiber content of an undyed piece of cloth he proposes to use, he need only dip a sample of it in an identification stain and compare the resulting color with a color chart identifying as many as 12 fiber reactions.

Solid shades can be produced in cloth either by dyeing the yarn before the fabric is woven or knitted, or by immersing the woven or knitted fabric in a dye bath. Color designs in a single-fiber material can be produced either by the pattern of weaving or knitting various colored yarns, or by printing dyestuffs on the cloth—the familiar "print dress."

Almost everyone who has looked at a polka dot necktie probably has





wondered: Are the dots put on—or left out? The answer is: they are put out. The fabric is first dyed over-all in the desired base color and then printed in a dot pattern with a chemical called a discharge agent, which removes the dye from the dot areas when the cloth is run through a special bath.

Practically all laundry soaps, detergents and bleaches now contain a white fluorescent dye which absorbs



ultraviolet rays from the sun and re-emits them as visible blue light. This added blue radiation has a whitening effect.

Since this discovery, the fluorescent white dyes have become so universally used that, even though they form only a minute percentage of the washing compound, they constitute one of the dye industry's biggest products in dollar volume today.

The fluorescents found dramatic application during the war. Used in satin landing signals, they helped guide Navy fliers to safe landings, day or night, on aircraft carriers.

Records show that fluorescent dye markers, visible from great distances, saved the lives of more than 30 per cent of the fliers who parachuted into the sea.

This property of fluorescence has been used in dyeing movie theater carpeting to provide a glowing design or guide line down the aisles and to mark seats, steps and obstructions.

Fluorescent dyes have helped nab forgers and counterfeiters. During World War II, a colorless fluorescent dye was secretly mixed with the blue ink with which food and gasoline ration coupons were printed. Passing used coupons under ultraviolet lamps at ration control centers instantly spotted raised numbers by the disturbance of the fluorescent pattern, or counterfeits by the absence of fluorescence.

The same system is now used to safeguard bank notes, stock certificates and racetrack tickets. The ultraviolet lamp is now standard equipment at most bank and pari-mutuel cashiers' windows.

Somewhat similarly, checks are

protected against alterations if the ink with which they are printed contains a dye intermediate which is colorless until touched with chlorine—the principal ingredient of all ink eradicators.

Fluorescent dyes have found industrial uses, too, particularly in locating invisible faults in metal castings. In one inspection technique, the dyes are used in a solution which is painted or sprayed over the surface of the metal. The casting is then wiped with a cloth to remove all surface dye—but the tiniest crack appears under the ultraviolet lamp.

Similarly, a railroad locomotive shop puts an oil-soluble fluorescent dye in the crankcase oil with which diesel motors are test-run, so that any unsuspected crack in the block shows up under black light.

At the Plymouth plant in Detroit dyes are used to prevent errors on the assembly line. The molded nylon gear which connects the speedometer with the transmission is made in 10 variations, depending upon the type of transmission, the tire size, the axle ratio and other parts of the particular model. Mistakes have been eliminated by dipping each of the 10 types of gears in a different color dye so the assembler need only pick from his bins the colored gear matching the identifying assembly ticket that accompanies each car down the line.

Chrysler aluminum brake pistons are anodized—an oxidation treatment of the surface—to give them longer wear. Then they are dipped in a red dye which will penetrate only through the anodized coating. Thickness of the coating can be checked by the depth of color, compared with a master sample. Furthermore, the color gives the repairman a check on one common cause of brake failure, since improper brake fluid will act as a solvent to take off the red coating.

Dyes are frequently used to color various grades of greases to help the grease-rack man pick the right grade.

The newest thing in the dye world is the indirect dye, which forms the final dyestuff right in the cloth by combining two ingredients—a pre-applied universal color former and an added color developer—as color photographic film is first sensitized then developed.

The advantage of this is that a dyer need stock only one basic cloth, pre-printed to a pattern with the universal color-former chemical, and then can supply this pattern in any desired color in any quantity simply by running the cloth through the proper color-developer bath.

Dyes can do more than color; they can add water-repellence and crease-

- appointments
- tel-addresses
- expense and taxes
- auto records

## EATON'S NASCON AT-A-GLANCE BOOKS

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#### As an example:

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resistance to fabrics. In 1947 Dr. Clyde C. DeWitt, director of Michigan State College's engineering experiment station, using a dye that had some of the properties of a mineral oil, discovered a new dye-making process that makes wool 60 times and cotton 12 times more repellent to water than normal.

A triumph in dye-making is reflected in the 30 or more washable pastel-colored leathers which have taken the women's fashion world by storm. Part of the secret is in the tannage, part in the use of a dyestuff which can be washed or dry-cleaned. The principle is not new, but it was neglected in the use until the tanners and dye-makers got together.

Color is also making news in furs. The average woman knows mink-dyed muskrat when she sees it. But she may soon see pink mink, powder-blue fox, pink squirrel, wintergreen rabbit, white nutria and black beaver—all products of recent dye chemistry.

Dye companies sometimes get strange requests:

National Aniline has provided dyes to color bees, birds and fish, so scientists can trace their wanderings.

During the last war fliers' survival kits contained a packet of water-soluble black dye, mixed in a waxy carrier with copper acetate, to repel sharks.

Fishermen now use the same dye to protect their nets and the fish they contain from attacks of sharks. Because the dye is a good sun shade, it has recently been spread on the surface of ponds to stop the growth of underwater plants.

Chemical weed killers sprayed along railroad rights of way, as well as insecticides used by farmers, are sometimes colored to make sure that the coverage is uniform.

Police of Yonkers, N. Y., plagued by false fire alarms, had alarm-box handles painted with a sticky red dye. Culprits are now caught red-handed.

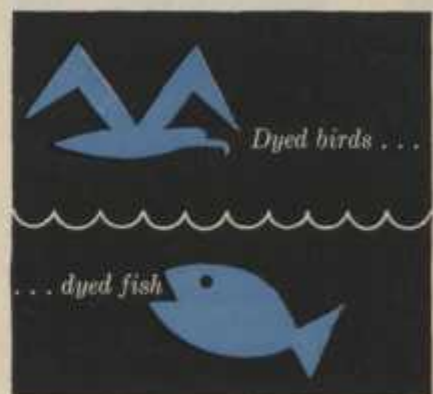
Experiments by the U. S. Fish and Wildlife Service have established that birds will not eat grain that is colored unnaturally, although rats apparently are color blind. Farmers who put out poisoned grain for rats are now encouraged to dye it red, green or purple.

Most dyes have some antibacterial properties, and before the discovery of more modern drugs, many were used directly as medicinals. For many years, for example, methylene blue—a common blue dye widely used in the paper industry—was accepted treatment for urinary infections; it is also an antidote for cyanide poisoning. Another dye is used to control internal bleeding due to

various causes, including exposure to nuclear radiation.

Scarlet red, another common dye, is applied to wounds, burns and ulcers to stimulate the growth of healthy epithelial cells.

Countless lives have been saved through correct diagnosis of disease because the great Dr. Paul Ehrlich discovered, back in the 1880's, that some synthetic dyes would selectively stain only certain types of human tissue. Dyes are employed in the widely used Papanicolaou test for vaginal cancer. Green, brown and yellow dyes are applied to a vaginal smear. Cancer cells can be identified by their distinctive color.



A fluorescent dye is helping doctors combat the problem of professional blood donors who want to sell their blood more often than good health warrants. As part of the donation routine, a bit of harmless, colorless fluorescent dye is swabbed on one finger. The dye will remain for two to three weeks despite the most industrious scrubbing. At each new offering of blood, the donor is required to place his hand in an ultraviolet viewing box. If any fluorescence shows up, he is rejected. In 10 months, in Los Angeles, over 4,500 prospective donors were thus disqualified.

Doctors are often puzzled as to just how much transfused blood a patient needs, or whether plasma, or just red blood cells, would be as beneficial. A way to measure the need is to inject a bit of a dye, Evans blue, into a vein. The dye combines with the blood plasma. After a time, a blood sample is drawn, and the color tells the physician what the volume of plasma is, which in turn shows how much and what type of transfusion is indicated.

American dyemakers point out that this relatively small industry has proved itself peculiarly vital as a discovery field for immensely important developments in medicine, explosives, plastics and atomic energy, and a training ground for chemists—an important manpower resource today.—LLOYD STOFFER



## CONSUMER CREDIT

*continued from page 39*

manently operating below their individual reappraisal of the free market possibilities.

**Is it your judgment on balance that our rapid growth in credit outstanding is less a threat to the economy than the existence of stand-by controls?**

I certainly do think so. I would say that if the use of credit by consumers should show any marked tendency to turn downward, it would have serious effect on our economy. In other words, without consistent growth in the use of consumer credit, it is inconceivable that our progress toward a \$500 billion gross national product could be maintained steadily in time of peace.

In the course of a generation a statute like this on our books would keep this nation from progressing to the fullest degree to which it is capable in a free market situation.

**What rules should the consumer use in making wise credit buys?**

Business can never make money by selling on credit to customers who subsequently find the payments onerous and difficult to handle.

Credit business will be profitable to the merchant and to the economy only so long as it is profitable to the consumer in his own way.

In the schools we are teaching a credit course based on family budgeting. We think it is dangerous to set any specific percentage of the family income as that which is safely to be used for credit purchasing.

Any individual ratio criteria are quite dangerous because each family's circumstances will be different from the next family's.

We ask that a family first make certain that the breadwinner's in-

come will continue safely beyond the end of any installment contract or credit contract entered into.

Second, we want every family to figure carefully and without stinting the proper costs of clothing, food, decent shelter, and the other necessities of life. These basic costs should include medical attention and other family expenditures that are impossible to avoid.

It is only the excess of income above these that can be used each month to pay installment or credit accounts for other purchases.

It becomes quite simple, once this figure has been ascertained, to multiply it by the number of months one is willing to go into a credit transaction. If one should decide 24 months is the longest contract he should sign, 24 times the monthly excess of funds above family necessities will give the total that can be safely handled on credit terms.

The measurement of family income against family expense plays a large part in the measurement of just what the family credit is.

**In future years do you expect credit use to be applied to areas of business activity where it is not now used?**

Some of the newer areas that are being explored are travel, education, medical care, hospitalization, hotel bills, credit cards good in restaurants throughout the country. How far any of these will go depends on the experience following the present experiments.

I think credit will be used far more than it is today in the areas of travel, education, and medical care.

In our hospitals many cases are chalked up as charity services because the patient is unable to pay his bill on leaving the hospital.

Yet most people using hospital facilities do not want to be termed charity cases. Despite the fact they

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## CONTROLS WOULD BRING CONFLICTS

At the invitation of the Board of Governors of the Federal Reserve Board, the Chamber of Commerce of the United States has submitted its views on peacetime control of consumer credit for inclusion in the Board's study on this subject. In summary the Chamber's position is:

1. Direct controls would be unwarranted and dangerous extension of governmental intervention in free markets.
2. Instability of the consumer durables market is not sufficient justification for direct controls.
3. Policies as to what, when and how controls could properly be imposed in peacetime would be difficult to devise and apply.
4. Administration of selective controls would necessarily be arbitrary and inequitable and would result in economic conflicts and political pressures.
5. There is serious doubt whether administration of such controls could command substantial compliance without excessive costs and burdensome procedures.

The Chamber's report included the results of a poll of its business members.





## Somebody ought to do something about that!

Yes, sir. A slum that is also a firetrap is a double hazard for the community. Somebody ought to go to work on the problem and, if you don't mind my getting personal, perhaps that somebody is *you*.

I'll make a suggestion: Give your support to your Chamber of Commerce. It's made up of men like you. They're manufacturers, retailers, lawyers, bankers—all kinds. The thing that distinguishes them is that they have a feeling of personal responsibility toward the community.

Instead of saying "Somebody ought to do something," they say to themselves "We ought to do something," and that's the group you belong with. Join them in working on slum clearance, traffic problems, schools; locating new industries—all the worth-while jobs that "somebody" has to do if the community is to grow and prosper. And don't forget, when the community prospers, you prosper right along with it.

# Pete Progress

Speaking for  
your Chamber of Commerce

may not have enough ready cash to cover the medical bill involved. Americans like to pay up and will do so when offered an opportunity to pay on installments. One important effect in trying installment payments at a number of hospitals has been to cut the deficits of these hospitals.

## Do you think installment credit can be used to finance education?

Yes indeed. I think that credit will be used for education more and more in the future. There are several experimental methods now being tried out. I do not know, of course, what the ultimate result will be. But it's obvious that no young man or woman in this country should be denied an education for lack of immediate cash. Nor should he be dependent entirely upon the scholarships and special funds that may be available.

Again, these people—like most of the rest of us—are perfectly willing to pay for what they get if they are given an opportunity to do so out of current or future income. **END**

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (TITLE 39, UNITED STATES CODE, SECTION 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF NATION'S BUSINESS published monthly at Dayton, Ohio, and Washington, D. C., for October 1, 1956.

1. The names and addresses of the publisher, editor, executive editor, and business manager are: Publisher, Chamber of Commerce of the U. S. of America, Washington, D. C.; Editor, Alden H. Sypher, Washington, D. C.; Executive Editor, Paul McCrea, Washington, D. C.; Business Manager, John F. Kelley, Washington, D. C.

2. The owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors. The officers are as follows: President: John S. Coleman, President, Burroughs Corporation, Detroit, Mich.; Chairman of the Board: A. Boyd Campbell, Chairman of the Board, Mississippi School Supply Company, Jackson, Miss.; Chairman of the Executive Committee: Glen D. Johnston, proprietor, Blue Hills Farms, Roanoke, Va.; Treasurer: Joel Barlow, Partner, Covington & Burling, Washington, D. C.; Executive Vice President: Arch N. Booth, Chamber of Commerce of the U. S. A., Washington, D. C.; Vice Presidents: Melvin H. Baker, Chairman of the Board, National Gymnasium Company, Buffalo, N. Y.; Clarke Bassett, Vice President, First National Bank of Minneapolis, Minneapolis, Minn.; J. H. Carmichael, President, Capital Airlines, Inc., National Airport, Washington, D. C.; Henry Kearns, Owner, San Gabriel Valley Motors, San Gabriel, Calif.; William A. McDonnell, President, First National Bank in St. Louis, St. Louis, Mo.; Charles G. Nichols, President, The G. M. McKelvey Company, Youngstown, Ohio.

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JOHN F. KELLEY

Signature of Business Manager

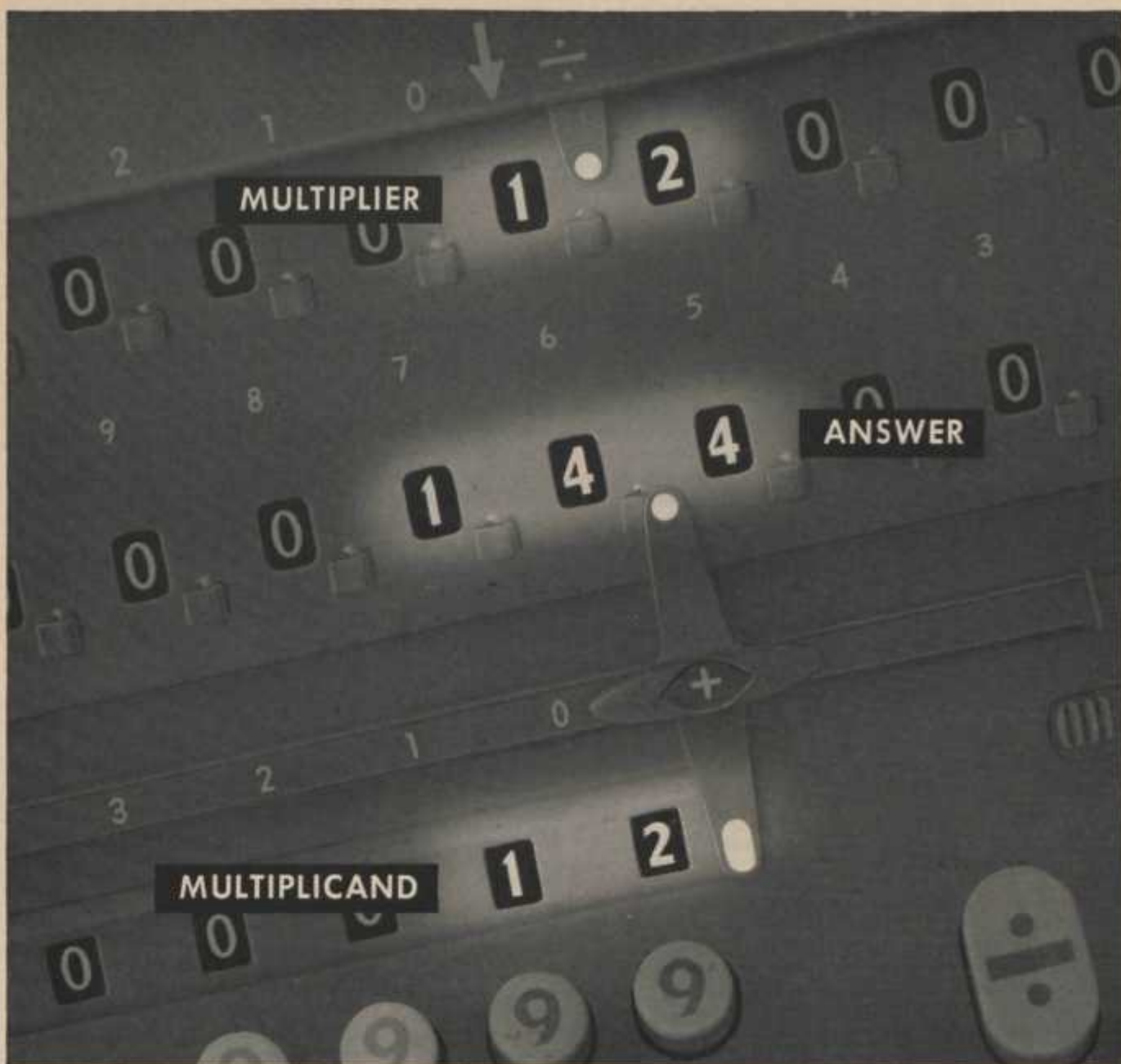
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## TAX CHANGES

continued from page 45

a progressive tax on corporations," he told NATION'S BUSINESS.

The prediction of new tax aid for small corporations also comes from Rep. Richard M. Simpson, a high-ranking Republican on the Ways and Means unit, and Sen. Edward Martin, top Republican on the Finance Committee—if revenues are high enough to permit it. But, as a veteran Capitol Hill tax man put it: "Words like widows, orphans, and small business have that magic ring at election time."

So this too must be weighed in forecasting future legislative action.

Besides help for small concerns, the political platforms hold out the prospect of tax relief for almost everybody. The Democratic platform favors an increase in the personal income tax exemption from \$600 "to a minimum of at least \$800." A \$200 boost would result in a revenue loss of about \$4.7 billion and would remove around 11 million taxpayers from the tax rolls. The G.O.P. promises to work for reduced taxes "with particular consideration for low and middle-income families." It also pledges to study additional "ways to correct inequities in the effect of various taxes."

Adlai Stevenson has said he is for such tax changes as splitting the lowest individual income tax bracket and removing the dividend credit. Splitting the first bracket, an expensive move, would mean that instead of levying a 20 per cent tax on the first \$2,000 of taxable income, the levy would be dropped to 10 per cent of the first \$1,000.

That would cost Uncle Sam an estimated \$6.5 billion.

The dividend credit, enacted in 1954, allows a stockholder to exclude from his taxable income the first \$50 of dividends and claim four per cent of the remaining income from dividends as a deduction from his tax. Repealing this provision would add about \$500 million to the Treasury.

But the Democratic presidential nominee also has suggested that "any general tax reduction" at this time could have inflationary implications. And he has said that a surplus in the budget might well be used for welfare, education and health research programs.

President Eisenhower has insisted on a balanced budget as a prerequisite for tax reduction. The Administration's tax plans are not firmly set at this time, according to Dan Throop Smith, assistant to the Secretary of Treasury for tax policy. Mr. Smith noted that the Adminis-

tration has "not been enthusiastic about exemptions. More accent has been put on a change in rates." The Cabinet Committee on Small Business tax recommendations "will carry weight," he says. He emphasizes, "It's only as the budget situation shapes up that we can tell; \$700 million isn't a very huge surplus."

This factor of surplus—the amount collections bring in over what the government spends to run its multiple operations—is probably the overwhelming determinant in general tax reduction plans.

The government in August calculated some \$69.8 billion in receipts would pour into federal coffers for the fiscal year that ends next June 30. The richest sources: individual income tax collections, expected to be \$37.5 billion; corporation income taxes, \$21.5 billion, and excise taxes of \$9.3 billion. The Budget Bureau figured expenditures would run to \$69.1 billion.

Some fiscal experts in and out of government see the possibility of a surplus of \$1.5 billion and maybe even more than \$2 billion, rather than the current estimate of \$700

## A sure tax hike

No matter how other taxes shift, the social security tax private employers pay will jump to \$3.4 billion in '57, up from \$3 billion this year.

million. They point to full employment and high business activity as revenue-producing factors. The Budget Bureau itself in August estimated fiscal 1957 receipts will be \$4.3 billion higher than the estimate that was made in January.

For fiscal 1956 the initial estimate was \$60 billion; actual receipts reached \$68.1 billion.

For fiscal 1957, however, a change in world conditions forcing an increase in defense spending, or a dip in employment with a resulting decline in income, could put the government in the red.

"There's only one way to reduce taxes; that's to cut spending," says Representative Reed. "There are bound to be some cuts in spending."

If the budget is balanced, an adjustment in rates should be made. But there's not much chance of reducing the 52 per cent corporation tax, Mr. Reed adds. This tax rate is scheduled to drop to 47 per cent next April 1. But the current rate, at least on income over \$25,000, undoubtedly



amine the following to see if they warrant continued preferential or differential treatment: exemption of interest on state and local bonds; deductions for depletions of minerals; income splitting between husband and wife; legal sanction given to pensions and stock options, and accelerated depreciation benefits particularly as capital gains apply to depreciable property.

Many of these tax questions are also on the list of topics Senator Byrd's committee has under study. In addition, this group will attempt to determine what he calls "a proper method for the income taxation of life insurance companies"—now taxed on investment income, much of which can be deducted.

Also on the agenda: present tax treatment of annuities, provisions adopted during the Korean war for the fast amortization for tax purposes of emergency facilities, tax treatment of physically handicapped, the individual income tax return form, taxation of concerns doing business in foreign countries, and review of the present excise system with a view toward eliminating inequities.

The whole field of excise taxes will be covered in two weeks of hearings before a Ways and Means Subcommittee headed by Representative Forand starting late this month. Government and private representatives will be testifying on a 395 page bill proposed by the group. Most of the provisions are technical. Some provisions have broad applicability, however. For instance, section 111 amends the eight per cent tax on automotive parts and accessories to exclude those sold for ultimate use or as repair parts or accessories for farm equipment.

Many members are forecasting some changes in the excise rates. "Some excises will be reduced," predicts Senator Smathers, "maybe on travel and athletic contests."

Says Representative Mills: "There definitely will be changes in the excise rates." He cites levies on communications and business machines as possible areas for change. Senator Byrd, predicting adjustments, calls the three per cent excise on transportation of freight oppressive.

Present excise rates are scheduled to drop April 1—beer would go from \$9 a barrel to \$8, cigarettes from \$4 to \$3.50 per 1,000, for example. Though there is little likelihood of levies on alcoholic beverages and cigarettes being reduced, and though such products as gas and oil will stay at the same rate or increase to help pay for the new highway building program, some inequities are certain to be erased.

END

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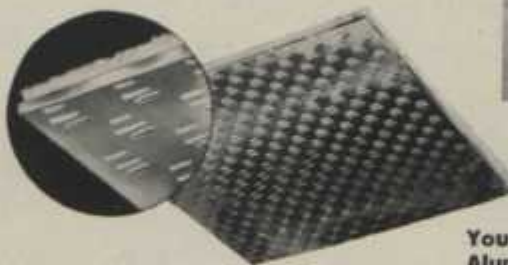
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This map shows you quickly a number of things about the Chamber.

It shows the grass-roots character of the federation.

It shows that the affiliated organizations are the most numerous in the heavily populated areas of the country and the predominantly industrial areas, as you would expect—and that they represent every congressional district.

It indicates the organized strength back of the Chamber.

## a number of things...**but not all**

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1. The more than 20,000 outstanding business firms and individuals who hold Business Membership in the Chamber.
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3. The Chamber's wide research facilities for finding and interpreting the facts about legislative and other developments affecting the economy and the public welfare.
4. The Chamber's six Division offices, and its 17 Divisional operational centers.
5. The practical method the Chamber has developed over a period of more than 40 years for keeping in constant two-way communication with its members, and for *seeing life as its members see it*.
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## HIGHER PAY

*continued from page 43*

enterprise of employees who are covered by the law and those who are not. He cites as an example employees of a wholesale distributor who receives his products from outside the state. Those employees who order and receive the goods are covered, but those who sell and deliver within the state are not.

"Since all of the employees of the establishment are engaged in an integrated effort toward furthering an interstate enterprise, the statute should treat them alike," Secretary Mitchell told a Senate Labor Subcommittee. He urged the subcommittee to extend coverage to all employees of a business enterprise which is engaged "to a major extent" in or producing goods for commerce.

"Major extent" would be defined on the basis of whether the company's interstate activities account for the greater part of its gross annual revenue or of its total annual expenditures or of such revenues and expenditures combined, as measured by dollar volume during the preceding year.

A confidential memo by a Department of Commerce official opposed to broad extension of coverage makes the following observations with respect to applying the wage-hour law to all business activities affecting commerce:

It would reach into industries traditionally local in nature.

It would further extend federal authority and invade jurisdiction of state laws.

It would be extremely costly and difficult to administer in small business establishments and on farms.

It would saddle millions of small employers with regulations, book-

keeping and red tape that have been the cause of past criticism.

It would encourage violation and disrespect of federal law.

It would increase costs for small employers to the extent that they would reduce employment.

Years of costly litigation would be required to clarify complex coverage questions.

Two bills in the last Congress, introduced by leading Democrats, Senators James E. Murray of Montana and Herbert H. Lehman of New York, would have expanded the commerce clause in the manner Mr. Meany suggests. Similar bills will likely be introduced next year.

Narrowing the specific exemptions would bring under the law employees in industries not now covered and special groups, such as outside salesmen and administrative and professional employees, in all industries.

Except for farming, with approximately 3 million exempt employees, the retail trade and service establishments, including restaurants, employ the largest number of exempt employees—1.4 million—in the total exempt group of 9.4 million. About 400,000 of the 1.4 million exempt are in retail trade. Adding the 5.6 million not covered originally brings to 6 million those not under the law.

The exempt management group—3 million—and exempt outside salesmen—1.2 million—cut across industry lines.

The other exempt groups are: food processors, 233,000; employees of laundries and cleaning and dyeing plants, 132,000; seamen, 117,000; employees in small logging operations with 12 or fewer employees, 110,000; employees engaged in fishing or canning, processing and distributing fishery products, 61,000; switchboard operators of small telephone exchanges, 43,000;

## FIRST RESULTS OF BLS SURVEY

The Bureau of Labor Statistics is gathering wage and employment data in 10 communities and 12 industries to study the immediate and long range impact of the \$1 minimum wage which took effect last March.

First results available, covering southern sawmills, show this immediate impact:

- ▶ Before March, three fourths of the employees got less than \$1; afterward, two thirds got \$1, the rest more.
  - ▶ The average increase, by states, ranged from 10 cents to 20 cents.
  - ▶ Employment dropped three and a half per cent—to 128,707.
  - ▶ Many sawmills cut out overtime to help offset increased wage costs.
- Other industries being surveyed: fertilizer, seamless hosiery, footwear, work shirts, wooden containers, processed waste, cigars, dress shirts, tobacco stemming, canning and freezing, and raw sugar.

Communities: Burlington, Vt.; Millville, N. J.; the area covered by Sunbury, Shamokin and Mt. Carmel, Pa.; Athens and Dalton, Ga.; Dothan, Ala.; Fort Smith, Ark.; Hickory, N. C.; Meridian, Miss., and Spartanburg, S. C.



employees of small newspapers, 32,000; employees of local transit companies, 32,000; persons employed in local retailing capacity by manufacturers or wholesalers, 10,000, and taxicab operators, 4,000.

Here, too, the main targets are retailing and service establishments because of the many exempt employees and because many are part of chain operations which operate in more than one state.

The Administration's position, as given to the Senate subcommittee by Secretary Mitchell, is that the minimum wage, but not the 40-hour week, should apply to businesses "which are controlled on an interstate basis." He cited specifically "vast interstate department stores, variety stores, and grocery chains, nationwide motion picture theater chains, interstate hotel systems, and loan companies."

These enterprises with multistate ownership, control, financing, management and personnel policy, according to Secretary Mitchell, stand side by side with the many neighborhood or friendly corner merchant enterprises, and have an importance and significance far out of proportion to their numbers.

Multistate organizations, he said, own only 31,000, or slightly more than two per cent, of the country's 1.4 million retail firms, yet they employ 34 per cent of the employees.

The federal government should regulate such multistate enterprises, Mr. Mitchell feels, but not enterprises which are essentially local in character. Regulation of small neighborhood groceries, barber shops, drug stores, the small country store and other small enterprises should be left to the states, he said.

The retail industry's position is that retailing is local in nature, regardless of size, chain or interstate relationships, and has always been recognized as such by the government and economists. In selling, pricing, hiring, wage and commission payments and other practices, all retail stores compete in the local market regardless of their size or affiliation. Higher wages forced on large or interstate stores will be reflected in wages which other stores will have to pay.

Testifying for the U. S. Chamber of Commerce, Van H. Priest, president of a company operating a small chain of variety stores in Florida and Georgia, told the Senate subcommittee that the added cost of a \$1 minimum and a 40-hour week "would have more than taken away our entire net profit."

The subcommittee received a special analysis of retailing from

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## HIGHER PAY

continued

Dr. Jules Backman, New York University professor of economics, intended to show that all retailing is local in nature, regardless of size or affiliation.

"Big retailing and little retailing have the same economic characteristics. While the services rendered by retail stores may vary, their market is local and their customers usually are drawn from a small geographical area.

"Both large and small stores, independents and chains, sell predominantly in intrastate commerce. Size is not considered a test for the applicability of the wage-hour law in manufacturing or in other areas considered to be engaged in interstate commerce. Size is not used as a test by the states which have enacted minimum wage laws.

"The economic characteristics of retailing indicate that all stores and firms should be treated alike."

As to employee earnings in retail stores, BLS figures given the Senate subcommittee concerning both hourly and weekly earnings in retail trade and manufacturing demonstrate that, over the past 10 years, average earnings in retail trade have increased by a larger percentage than in those manufacturing industries covered by the wage-hour law.

Retail average hourly earnings increased 95 per cent, from 79 cents in 1945 to \$1.54 early this year, while hourly earnings in manufacturing went up 89 per cent, from \$1.02 to \$1.93.

Weekly earnings in retail went up 88 per cent, from \$31.55 to \$59.44, while those in manufacturing went up 76 per cent, from \$44.39 to \$78.36.

The Murray Bill in the Senate would limit the retail and service exemption to employers having five or fewer establishments and doing a total annual volume of business of less than \$500,000. Hotel exemption would be limited to those doing not more than \$500,000 business a year. Coverage would also be extended to large farms by limiting the farm exemption to farms using less than 600 man-days of hired labor during each of the previous four quarters.

The AFL-CIO wants the retail and service exemption limited to employers with not more than four stores. As to farm workers, it would like to see the law extended to 1.5 million farm employees by bringing under the law any farm which employs 300 or more man-days of

hired farm labor in each of the preceding four quarters.

The AFL-CIO would also eliminate or drastically narrow the existing exemptions of other groups.

A \$1.25 minimum wage will likely be proposed again by Senator Murray and other legislators who proposed it in the last session of Congress. It was in the Democratic party platform and is included in resolutions of the AFL-CIO and many of its affiliated and other unions.

Another bill introduced in the last session by leading Democratic senators would provide for a \$1.25 minimum immediately, with further increases up to \$1.50 when recommended by industry committees.

Under the Murray Bill, the straight-time workweek under the wage-hour law would go from 40 to 37½ hours in two years and to 35 hours two years later. Time and a half for overtime would be required.

The AFL-CIO is on record only for reducing straight-time hours, although the AFL, before the merger, came out for a 35-hour week.

Management employees—executives, administrators and professionals—are exempt from overtime pay requirements if they receive salaries of at least \$55 a week in the case of executives and \$75 a week in the case of administrative and professional employees and, in addition, perform certain types of work associated with those positions.

The Wage-Hour Administrator, under the law, has sole authority in determining the qualifications for such exemption. Auto workers and other unions petitioned the Administrator for an increase in the salary test, the most common suggestion being a test of \$100 a week for executives and \$125 a week for administrators and professionals. There was one suggestion of \$150.

Hearings have been held before a wage-hour examiner, who will make recommendations next year.

In advance of the hearings, the Administrator released a study of 15,000 companies showing that \$100 or more a week is paid to all executive and administrative employees by two thirds of the firms, and to all professional help by three fourths of the companies.

Employer groups have opposed any revision of the Administrator's regulation covering this exempt group, asserting that the Administrator does not have statutory authority to use a salary test in deciding whether an employee is an executive, administrative or professional employee.

The Lehman Bill, of last session, would have put a salary test of \$6,000 in the law.

END



# FEWER, SIMPLER QUESTIONNAIRES IN SIGHT

Here's how business is working with government to bring more common sense into record keeping

HOW long should business firms be required to keep their records on hand for possible call by the government?

That's a multimillion dollar question for businessmen who face ever-growing costs for storage space for their records and clerical help to care for them. A sensible time limit on required record retention, replacing today's costly confusion, could mean annual savings to business of \$25 to \$40 million.

Work toward a uniform and clear government policy on business records is just one of the activities of a small federal bureau which, with the help of a business-sponsored advisory group, is trying to curb the government's appetite for paperwork by businessmen.

The government unit is the Budget Bureau's Office of Statistical

Standards. It has authority by law to screen all the demands or requests for statistics and other information that most government bureaus send out to business.

Working closely with this office is the Advisory Council on Federal Reports, sponsored by seven national business organizations, and including the Chamber of Commerce of the United States. The Council channels to the government business' reaction to existing federal paperwork requirements—the endless reports, studies, questionnaires and other documents Washington requires—as well as proposed new entrants in this field.

Together these groups strive to simplify, improve and thin out the mountains of federally-required paper. As part of this mission they are trying to bring some common

sense to the matter of records retention.

Present laws are often vague as to what records business must keep and for how long. As a result, businessmen are obliged to keep for an indefinite period all sorts of useless data that otherwise would have been turned over to the junk man.

Help may be coming, however. The Budget Bureau has now received comments from interested government agencies on a Council proposal for a uniform time limit—probably six years—on retention of most documents, permission to microfilm all records which must be kept longer, and other provisions.

If the plan goes through, the savings to business in filing equipment, warehouse space and manpower will be impressive.

Many businessmen, on the evidence of their own experience, may not feel that the Budget Bureau and the Council have been outstandingly successful in their assault on government-engendered paperwork. After all, about 5,000 different federal forms are now showered on business firms and private citizens.

These range from one-shot surveys to required weekly, monthly, quarterly and annual reports. They vary in size from detailed annual reports several hundred pages long required by federal regulatory agencies, to a postcard sent to television stations by the Post Office Department asking: "Can you use slides on the mail-early-for-Christmas theme?"

There's no exact figure on what handling all these forms costs business. The Hoover Commission declared that "the cost imposed on private citizens and business for clerical help, accounting, legal and other expenses runs into hundreds of millions of dollars annually."


The businessman's plight would be even worse if the Office of Statistical Standards (OSS) and the council weren't on the job. Working together over the past 15 years, they've chalked up such good deeds as these:

► About a million unincorporated family stores and other businesses without outside employees were spared the time, expense and mental anguish of filling out forms in last year's census of distributors.

The reason: OSS and the Council pointed out that the information sought from these firms could be obtained from their income tax returns.

► There used to be 18 forms, totaling 379 pages, for firms wishing to apply for, renew, sell, transfer or otherwise change the ownership of radio and television stations.

Now, the requirement has been



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trimmed to eight forms with 52 pages. What's more, the forms have been revised to make it easier to supply the required information.

► The government used to require notarization of many of the forms it called for, which put a heavy burden on business, especially small business. Then it was pointed out that the penalty for giving the government false information—whether under oath or not—was more severe than the penalty for perjury.

This, of course, makes notarization pointless. So, the notarization requirement was dropped on most forms where this could be done by executive action. It is gradually being dropped on forms where it is required by law. As laws get overhauled, the Budget Bureau tries to include a provision repealing the notarization requirement.

► A meeting called by the Council saved industry more than \$4 million. The BDSA wanted a survey of metal consuming and new metal scrap generating industries, which auto makers called an unwarranted burden. Fifty industry and government men worked out a simple compromise. If the survey were based on figures for 1954, a Census of Manufactures year, instead of 1955 as proposed, the 5,000 plants concerned could report their metal consumption by copying off figures on their Census forms. Government found the figures useful; industry saved 75 per cent of the cost of gathering special information.

OSS has a staff of 20 to 25 career government employees, headed by Dr. Raymond T. Bowman, assistant director of the Budget Bureau for statistical standards. In addition to clearing all new forms, the office periodically reviews existing forms

and listens to complaints from business organizations or individual businessmen.


When OSS got its review power back in 1942, it decided that the best way to discover the burden a particular survey would put on business would be to get the reaction of businessmen themselves. Accordingly, it asked a number of national organizations to set up the Advisory Council, which came into being later that year.


Its present sponsors, in addition to the National Chamber, are the American Chamber of Commerce Executives, the American Trade Association Executives, the American Retail Federation, the Controllers Institute of America, the National Association of Manufacturers and the National Industrial Council.


The Council itself, which now has 24 members, does most of its work through dozens of committees and special panels, each acting in a different business field. These fields range from air transportation to banking to fishery statistics and industrial security. The committees include about 1,000 volunteer businessmen. The whole operation is on a \$40,000-a-year budget, contributed by member groups. The headquarters staff numbers only four and is concerned chiefly with routing information between the government and the Council's committees.

In addition to trying to hold down the size and complexity of government paperwork demands, the Council and the OSS try to make sure that most useful information is gathered. The Budget Bureau warns somewhat ominously that the government is still not getting all the information it really needs from business and that federal agencies will probably be pressing for more

Change proposed... uniform time limit **6** years

on retention of documents  permission

to microfilm  all records kept longer

Business would save... filing equipment 

warehouse space  manpower 



and more facts and figures. Therefore, say OSS and the Council, it's even more important that information be collected with the least possible burden on business.

Most of the business on the two-way street between OSS and the Advisory Council starts with OSS. Some government agency proposes a new survey, and OSS asks the Council to help it assess the burden the project would impose. The matter is referred to a committee of the Council and in due course OSS gets its answer.

Occasionally, however, business starts with the Council. The OSS puts out a daily list of proposed surveys and a monthly list of reports and questionnaires under review. These lists are widely circulated and bring comments and questions from Advisory Council members. Also, the meetings of Council committees and panels provide a flow of criticisms to be forwarded to OSS.

Budget Bureau officials say there's no way of knowing how many new surveys are proposed each year. Many agencies have clearance officers of their own, so some proposals are killed before they get to OSS. Moreover, agencies often sound out OSS informally on a proposed project and, if the reaction is unfavorable, never submit the project.

Generally speaking, OSS officials say they try to balance the government's need for a particular bit of information against the burden its collection would put on the industry involved. It considers such questions as these:

- ▶ Is the information already available on some other form?
- ▶ Could the facts be obtained more easily by amending an old form rather than sending out a new one?
- ▶ Is the coverage too broad? Could the information be obtained just as well by an industry sampling, or by questioning all the big firms and sampling the smaller ones?
- ▶ Are the questions clear?
- ▶ Is the information sought in a form that can readily be obtained from existing business records, or will new bookkeeping be needed?
- ▶ Are the reports being demanded more frequently than necessary?

Some of the most troublesome surveys currently being proposed are those in which the government seeks plant capacity information in preparation for possible industrial mobilization for war. Studies of industrial security have also given rise to problems. Surveys in both these fields have led to wrangles, industry seeking to simplify and government seeking to amplify.

Frequently industry wins these wrangles, with the help of OSS and the Council. The comptroller of one large company, informed of a plant security study the Defense Department was planning, had his firm's engineers estimate how much the survey would cost the company. They came up with an estimate of \$75,000 to \$100,000. Armed with this figure, the comptroller went to OSS. OSS backed him up, and the survey was never made.

One Council group recently persuaded the Agriculture Department to simplify a proposed survey of wholesale meat distributors. Another obtained a drastic cutback in the reports required from brass and copper wire firms. Still another won a double-barreled victory over a government proposal to survey manufacturing capacity and labor skills in the precision optical industry. It not only simplified the form, but it completely overhauled the proposed definitions of labor skills in order to reflect accurately the industry's working patterns.

In addition to the records retention work, current projects include:

▶ A study by the Council's committee on chemicals to simplify the Tariff Commission's annual report on synthetic organic chemicals. The committee has already noted that some of the information required is being collected on a more current basis by the Commerce Department's Business and Defense Services Administration.

▶ A review of how to cut down the form bus companies must file each year with the Interstate Commerce Commission.

▶ Prolonged negotiations with the Defense Department in an attempt to simplify a proposed form on which all defense contractors would report the government business they're subcontracting.

Acting as the businessman's paperwork watchdogs, officials of both OSS and the Council have one word of caution for the businessman objecting to government reporting demands. Much of the surveying being done, they point out, is at the request of business itself.

In fact, in many industries there is a demand for more, not less, government collection of information. OSS and the Council have found out that proposals to stop collecting certain types of information sometimes draw not cheers but protests from firms or segments of an industry which find the facts collected, and later published by the government, vital to their operations.

—ALAN L. OTTEN AND  
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# double standard for spending

THE WINNERS of this month's election are committed by platform and oratory to do many things for the people. In making such commitments, both parties take it for granted that if government does these things, they will be done better than if the people did them for themselves.

This assumption usually is not justified.

The current federal fiscal situation offers a convenient study in managerial aptitudes of government as compared to those of the people.

Such a comparison is probably unfair to the people because the average citizen does not handle his money as well as he might.

Yet, in the past fiscal year, the people bought goods and services worth \$260.7 billion; paid off \$33.7 billion in consumer debts (thus keeping their credit good to buy more goods on time); met government demands for \$36.9 billion in taxes; and still increased their savings by some \$18.6 billion.

In the same period the government spent \$1.7 billion less than it took in. In so doing, it attained for the fourth time in 26 years a condition of solvency that its citizens have to maintain perpetually. Moreover, a large part of the excess of income over outgo resulted from a fortuitous fiscal windfall rather than preconceived intention.

Government did not do enough to curb its compulsive spending. Actually, it spent \$66.4 billion—\$2 billion more than in the previous year. Only a higher tax take kept this boost from becoming a deficit.

Next year's expenditures are likely to approach \$70 billion—highest ever in peacetime. The hope is

that taxes will rise \$700 million above that figure.

When a citizen is unable to control his spending, somebody—his banker, his creditors, his employer—changes his habits for him. Pressures of one kind or another force him to seek out good advice or to follow it even if it comes to him uninvited. The government, though it has better advice than the citizen can expect, is under no pressure to follow it.

If it were, the Defense Department budget, instead of rising \$453 million in 1957, might be reduced the \$2 billion that the Hoover Commission's recommendations would make possible. Appropriations for the Federal Home Finance Agency and for public assistance grants to states could be reduced instead of rising the \$199 million and \$181 million that appropriations now call for.

Similar savings could be made in other places.

In many cases there is little effort to make them although economy in government was a standard platform plank long before many of the issues in this year's election were regarded as even within the province of the federal government. The collection and spending of taxes is a primary government function—one in which it has had long experience. If government has to collect more than it ought to because it spends more than it should, it isn't doing very well one of the chores it is best qualified to do.

This situation makes suspect its ability to do all the other things it is willing to undertake to improve the lot of its people.

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